

Improving performance in Central Government



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Collinson Grant is a management consultancy that helps to improve the performance of large organisations in both the public and private sectors. Our work focuses on costs, people and organisation. This book draws on our experience in supporting Government departments and Executive Agencies over the last five years. The notes at the back will tell you more about what we do.

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1 Introduction

*“The best government is a benevolent tyranny
tempered by an occasional assassination.”*

Voltaire

Who benefits from efficient, well-run and productive public services? Nearly everybody! The answer seems so obvious that the question is hardly worth asking. But for many years there have been doubts. Are Central Government departments run as well as they might be? Are resources used inefficiently? Could improvements be made?

Taxpayers do not always get the service they expect or deserve. Since the late 1980s, more and more public services have been contracted out or run by executive agencies. This has prompted comparisons between the public and private sectors. It is argued that the private sector is apparently highly efficient and the public sector less so. Of course this is not always the case. However as the scrutiny of public spending increases, so does the demand for reform, and for better use of constrained budgets.

Collinson Grant has helped lots of organisations to improve their performance. We have found that what needs doing, and the best way to do it, are remarkably similar in the private and public sectors. In this book we set out what we now think important in the effort to raise efficiency and effectiveness in the tough circumstances facing managers in Central Government. Changing the shape and ways of working of any organisation can be daunting. It is fraught with risk, especially in the public domain, where politicians and the media subject every move to close scrutiny. But it can be – and is being – done successfully. Many public services are radically better than they were a generation ago. Sadly, some are still far from adequate.

Reform need not imply massive re-structuring, when everything has to change simultaneously. Our experience is that effective reform often stems from discrete, manageable and incremental moves. Carefully planned and executed, these can have as profound an effect on results as a major re-engineering programme.

Create momentum for larger initiatives

Such efforts can complement and even go a long way to satisfying major ‘political’ initiatives. But this should not depend on or wait for instructions from above. It is work that can and should be going on all the time, so putting the organisation and the people leading it ‘ahead of the game’. The development of a culture of continuous improvement should become self-sustaining, so that those involved find they and their teams are able to respond naturally and without trauma when demands are made for fundamental reform.

These requirements can and should be met without fear. We have been applying the basic managerial techniques described here for many years, primarily in private industry and more recently – and with considerable success – in the public sector. Some tailoring of the approach has been necessary to fit specific needs, but in fact remarkably little alteration has been needed to achieve good results in the public sector – often no more than the adjustment we make between private companies. The principles of good management are essentially the same everywhere.

Only those in the ‘firing line’ can decide the best way to take their departments forward. So we have drawn, from long and varied experience, useful topics and techniques and reviewed their relevance to the challenges that managers in the public sector are facing.

Planning, selection and risks

Senior managers can often make the greatest impact by setting objectives, drawing up plans for action, and matching the organisation to them. This work inevitably points to a need to change the structure and to re-align the culture and skills. It creates a chance to set new rules and change attitudes throughout the organisation. But it can go sadly awry in the research, analysis, planning and execution. So the objectives need to be clear. The plans need to be selective and realistic about the resources they require, the skills they demand and the timescales to be set. And, most fundamentally, the main risks need to be evaluated and managed out. For that, a conceptual framework based on good practice is required. This is what we have attempted to define.

Part I: An evolving story

“Change, change, why do we need change? Things are quite bad enough as they are.”

Lord Salisbury to Queen Victoria

2 Improving performance in Central Government – the challenge for managers

The search for greater efficiency is constant

Various official reviews of the Civil Service have been augmented by myriad independent studies by bodies such as Reform, the Institute for Public Policy Research and many others. There has been a regular cry for improvement and change – pressure that has, if anything, accelerated in recent years as successive governments have sought to enhance public services without having to raise taxes excessively. And now the fiscal pressures created by the 2008/09 credit crisis have increased the urgency.

The search for savings often centres on policy: for pensions; for healthcare; or for expensive defence programmes. When there is sufficient political will, significant changes can be made – particularly by a new government that challenges previous wisdom. But such cuts often prove more problematic than commentators or lobbyists might suggest. The political reality is that voters do not always support radical thinking when it starts to hurt them. Compromises are found that dilute the potential benefit to the taxpayer. To balance the books, the focus then expands to examine how savings can be made without adversely affecting either the services and support provided to the public or, for example, the jobs in the defence industry. Attention then turns, quite rightly, to how effectively the machinery of government operates.

It's all been tried before

The history of the Civil Service has seen a succession of studies and initiatives aimed at enhancing and improving its effectiveness while demonstrating enhanced value for money for the taxpayer. The early work of Northcote-Trevelyan in 1854 was followed by Haldane in 1917, Fulton in 1968 and numerous committees, white papers and reports since, including the work of Rayner and Ibbs for the Thatcher Government and the various spending reviews and initiatives launched by the Labour Government after 1997 – notably the 2004 Gershon Report on releasing resources to the front line, the Lyons work on Location and the subsequent paper 'Public Service on your Side'. The 2009 report on the Operational Efficiency Programme set a further target of saving £15bn from back-office operations.

The 'Competing for Quality' initiative in the early 1990s generated 'potential' savings of some £720m from £3.6bn of expenditure.

But were these savings actually secured and sustained? Does anyone really know?

The creation of agencies

Some of this debate has led to significant change to the way Central Government works. The Ibbs Report that launched the Next Steps programme of the 1980s brought about some devolution of activity to more transparent, semi-autonomous 'agencies' charged with enhancing the operation of front-line services. It also led to greater involvement by the private sector in the provision of specific services. This led to the 'Competing for Quality' initiative from 1990 to 1997, establishing a trend that was continued and supported by the Labour Government after 1997. But still the clamour goes on for further reform and for greater savings. So there clearly remains a feeling that the culture and ways of working of the Civil Service (particularly at the centre of government) are not yet naturally providing the steady improvement in efficiency that is desired and expected. The need to achieve sustained progress has also been highlighted by successive assessments by the Cabinet Office of the capabilities of major departments.

Where does accountability lie?

Discussion has also focused on how to hold ministers accountable for the day-to-day control of the machinery of Government that manages public services. Once policies are set, should the management of applying them be delegated fully to senior civil servants who then become more accountable to the public for day-to-day performance, while the politicians stand aside? This debate has some way to run before a new consensus emerges, but it certainly is not going to reduce the pressure on senior managers in the Civil Service to be held accountable for the provision of services and the overall performance of their departments.

In its 2009 paper, 'Public Services at your Side', the Government advocated a 'New Professionalism'. But what does this mean to the managers expected to display these 'new' skills and make the improvements sought?

- Where would you start?
- What would you be expected to do differently – today, tomorrow and the next day?
- Where are the tools that will help you?

How can you translate aspirations from the top brass into the brass tacks of trying to run a department, agency or unit efficiently – to provide faultless services in line with policies and priorities and to give 'value for money'?

The answer partly depends on the focus of responsibilities. In essence, the managerial teams in Central Government have to support one of three main functions:

Delivery	To provide services to the public under the policy framework in place
Development of policy	To prepare, test and draft policies in support of Ministers
Back office	To support, administer and control these two 'direct' activities

The largest of these responsibilities is delivery. It is the immediate face of Government that the public encounters, and it has received the most attention and reform in recent years. So let us start there.

Delivery

Departments should provide day-to-day services for the public in ways that are transparent, professional, innovative and efficient. The range of services is huge, from issuing driving licences and passports to paying social security and housing benefit, running job centres and safeguarding communities and borders. Successive spending rounds have set targets for central and administrative functions to make more improvements – to switch more personnel to reinforce the ‘front line’. These are sensible aspirations. The public rightly demands an improved service, provided efficiently, with the minimum of central ‘overhead’.

In the last 25 years, public services have been asked to manage front-line activities more tightly, apply tough measures of performance, set targets for improvement and use private sector providers, as appropriate. This is the aspect of Government that has seen the greatest scrutiny and the most radical change – including competitive tendering and outsourcing. It has also seen significant improvement as a result.

In many ways, the front line of the public sector is remarkably similar to front-line activities in the private sector. A lot of the work is transactional, so the chief requirement is to provide the maximum effective ‘capacity’ to meet ‘demand’ at the lowest cost. And slippage – especially excess demand that stretches capacity – is often all too visible. Hospital waiting lists or backlogs in casework units are classic examples.

Front-line managers in the public sector can rarely hide. They are under constant pressure:

- to optimise capacity to meet demand
- to work within budgets that are tightly defined, and
- to achieve numerous key targets, against which their performance is monitored.

Since they often manage quite small units, their own responsibilities and accountabilities are also starkly visible. They face pressures similar to those experienced by managers of factories or sales units in the private sector – to meet demand and maintain the quality of products and services at minimum cost. And demand can vary dramatically from month to month – so flexibility and responsiveness are vital. In the meantime, the rest of the organisation is constantly looking for them to save money and to free resources to meet demands elsewhere – regardless of their local problems.

Development of policy

The Government has also emphasised that the first job of the Civil Service – to develop policy – must be done efficiently and with due regard for the practical consequences of the new policies adopted.

But what resources are truly needed to develop policy? Certainly it needs a nucleus of very able and imaginative people – some of the best brains in the Civil Service. But there also needs to be input from technical experts with specialist knowledge of the particular field, and advice from experienced practitioners on the front line who have to make the policy work once enacted. Good policy development needs this blend and an ability to cut through distractions to get to the right solutions quickly.

But how often does this happen? Do the policy teams have the right blend? Do they have immediate access to experts and experienced practitioners and direct links to decision-makers? Or do they have to rely on information filtered by excessive layers of managers and support staff. Too many contributors and managers ‘reviewing’ ideas cloud the picture and dull initiative. Smaller, leaner teams with a sharp focus and access to the right technical and practical experience have been shown to work best. Yet departmental structures rarely display this sharpness. Many are populated by ‘quasi-policy’ units whose responsibilities and contribution are not clear.

Policy attracts the best people. It is seen as the route to rapid promotion and brings those involved into close contact with political power. The dangers are that people can rise quickly through policy channels without being exposed to the front line, so the development of policy suffers and they reach senior positions without the broad experience required. The culture can also allow policy units to grow and multiply to accommodate the number of people keen to work in this environment.

Back office – Administration and control

The task for the centre is primarily to offer good management and control of finance, human resources, procurement and IT support, while also monitoring performance, maintaining adequate safeguards for standards, and providing assurance that provision aligns with the priorities set out in established policies and plans. All this must be done efficiently, with the fewest people and at the lowest cost possible. Yet this key and expensive aspect of Government has received much less scrutiny in recent years and has demonstrated much less progress. Instinctively, civil servants are reluctant to shrink central resources, fearing that this would lead to a loss of the support services they depend on to function properly. But size does not guarantee good support. It often results in cumbersome, over complicated ways of working rather than the sharpness that is needed.

Efficient ‘back-office’ support with the minimum of duplication and intrusion is essential to avoid any risk of diverting front-line people from their main tasks and so impeding their effectiveness. But too many Government departments do not display this simple but necessary clarity of role and purpose. Administration is too often multi-layered. Responsibilities are imprecise, and overlap with those of numerous ancillary functions, whose own roles are far from clear. The crisp distinction between policy, delivery and support is rarely followed.

Savings or a mirage?

The main aim of the Gershon Report of 2004 was to streamline central functions. It set out clear plans for cutting the number of people employed in the central Civil Service by 84,000 while releasing 13,500 people to the front line – a net reduction of 70,500. It has been followed by the announcement of further initiatives (often linked to the annual budget) and by the continuing transfer of work to the private sector. So numbers should have reduced by even more. Yet between 2003 and 2008 the number of full-time equivalent civil servants fell by only 29,000. What has happened to the rest of the targeted savings?

The Department for Work and Pensions, one of the largest departments, claims it has exceeded the Gershon efficiency targets. Are consistent definitions and baselines being used? If it did achieve this target, how well did the rest of Central Government perform?

The prize

Supporting, controlling and administrative structures and other related activities should enable the front line to operate efficiently, but they do not add immediate value to the ‘direct’ tasks. Yet they remain a dauntingly large proportion of the public sector and of Central Government in particular.

A priority for any executive team is to maintain an optimum balance that concentrates resources on the main tasks while providing the control and support needed in a truly effective manner. This is a challenge that few managers – whether in the public or private sectors – ever get totally right. But the prize for a large organisation is huge – if, as a minimum, the most major inefficiencies can be eliminated and a reasonable balance achieved.

Ultimately, an efficient and productive public sector should be a key competitive advantage for the UK. So the Civil Service has to be seen to develop the right policies for the country effectively, to perform efficiently, to establish lean administrative structures, and to spend money wisely.

3 A window on the Civil Service

“You will find that the State is the kind of organisation which, though it does big things badly, does small things badly, too.”

John Kenneth Galbraith

Today’s Civil Service faces new dilemmas and increasing challenges all the time. But many of the traditional ways of working, developing people, and promoting improvement in the public sector are not totally aligned with providing the skills and flexibility now needed. So reform is needed. But what does that mean?

The Civil Service has come a long way from the vision of Northcote-Trevelyan. It is vastly larger and more complex, with a mass and diversity that reflect how Government now has to engage with all aspects of life.

It has strength. Even if its culture may be open to some criticism, it is also important to recognise and respect the commitment to public service that pervades it. People – particularly in the front-line jobs that deal with the public or seek to safeguard the community – are motivated to do a good job and want the services they provide to be better. When things go wrong, they care about what they are trying to do in a fundamental way that is not always seen elsewhere.

Responsiveness to crisis

It is also impressive to note how quickly and efficiently the service reacts to a crisis. Willingly and without question, people switch to special duties and new tasks, displaying the brio and flexibility present, but not always evident, in the Civil Service. Teams are quickly formed to focus on the problem of the day, while others readily cover their routine duties. A key factor is that strong, clear leadership is provided to put an immediate ‘fix’ in place.

This contrasts with the approach taken to routine initiatives. Central Government has evolved to meet the demands placed upon it, but has rarely had the time or opportunity to make the basic structures, organisation and skills sufficiently responsive to the daily changes in requirements.

We therefore see a Civil Service which displays attributes once worthy and valued but which can now be severe impediments to enhanced performance. Approaches put in place over the years with the best of intentions do not serve the organisation well today. And there is some evidence that managers that shine in a crisis do better in the promotion ranks than someone consistently performing well on 'day-to-day' operations. Apparently there is less reward for avoiding crises.

But what happens afterwards?

That reactive responsiveness to crises also raises questions.

- How well does the service look for and spot threats coming, so that crises do not arise?
- How much slack is it carrying if it can let lots of people be re-deployed so readily?
- How much effort do the leaders devote to pursuing gains in efficiency rather than reacting to political or operational events?
- How well is the initial 'fix' for a crisis followed up by a more effective, long-term solution?
- How can the latent competence and flexibility of the junior staff be better exploited to support steady, long-term improvement?

Constraints on higher performance

Unfortunately, there are countless examples of historical practices, structures and attitudes that can constrain senior managers' ability to secure the improvements demanded of them. Many have been documented by other observers over the years, but they still persist.

As we have noted, a crisis elicits a strong command and control approach, to make sure the situation is handled with sufficient urgency and priority. But this style of management is not the norm.

Day-to-day the **culture is one of wide consultation** to seek consensus and support from all interested parties. So many 'stakeholders' in the organisation – some with quite a tenuous interest in the particular problem – have an effective 'veto' on reform. An initiative may get bogged down in debate and discussion with managers who, though not directly involved, may not want to apply it, may see it as a threat, or may have other

ideas. Conflict is avoided and compromise sought, so that even if a reform is adopted, it is often in a somewhat diluted form. The desire for consensus is also found in the private sector, but tends to be overcome more readily by stronger leadership intervening to force reform through.

Organisational structures contain **too many layers, with narrow spans** of control. The tradition of having someone at every grade in the hierarchy almost inevitably leads to an ineffective structure. There are usually at least eight layers between an executive officer and a permanent under-secretary. This can also be in response to a lack of confidence in the quality of subordinate grades. Rather than tackle this underlying weakness, a deputy head of department is created because there are perceived to be insufficient people of the correct calibre at operational or middle management levels.

Senior managers brought up in this tradition, with little exposure to leaner organisations, have difficulty grasping that extra layers of management do not improve control but promote inefficiency. The many layers create barriers that prevent rapid decision-making, reduce accountability and impede the flow of understanding between the grass roots and the senior civil servants. It is not surprising that many of the front-line managers and staff feel that policy and priority-setting are disconnected from day-to-day reality.

Size of the public sector

Central Government activities are an important component of public services, but not the full picture. The public sector as a whole is very large, and growing larger. Despite the effects of the world economic recession, public spending in the UK was estimated to be about 41% of Gross Domestic Product in 2007/08. Roughly one in five (19.5%) of all jobs in the UK is in the public sector – a total of 5.75 million. This proportion has changed little over the last ten years – despite numerous reclassifications of some categories of the staff, which are difficult to monitor accurately, and the general growth of the economy. The scale of the public sector indicates that, regardless of political or philosophical questions about its optimum size, there will **always be opportunities** to improve productivity and reduce costs.

Narrow spans of control are also the norm, with similar dangers that managers feel obliged to micromanage the small number of people who report to them. So there is little empowerment or sense of accountability: rather a feeling that any problem will have to go up several grades before a real decision gets taken. Yet, by contrast, in a few circumstances there can be wide supervisory spans – demonstrating that good managers can lead a large team effectively.

A reliance on bright generalists for the top jobs has long been a Civil Service tradition. The Civil Service still wants to – and still does – recruit the best people and meets their ambitions by promoting them rapidly. But this fails to give them sufficient practical and technical experience and relevant training. People move on too quickly to be able assume real responsibility and accountability for their work. A gulf develops between the ‘fast-streamers’ who populate the middle ranks of the policy and administrative functions in Whitehall and those middle managers (the ‘NCOs’) who join through normal channels and are to be found facing the day-to-day pressures of running front-line offices where the real service is provided.

A lack of technical skill in increasingly key areas: Professional and technical skills are still not valued sufficiently – notably skills in accounting, procurement, IT and HR. Middle to senior posts are filled by people who are undoubtedly bright, but lack the hard experience and training needed to be effective in these key areas. There is little incentive to acquire specialist skills, since grades and salary structures are built round the career paths for general civil servants. Technical skills are simply not valued. Often those who acquire specialist skills are forced to abandon them and seek promotion back in generalist roles.

Recent efforts have focused on strengthening **financial skills**, to equip most departments with greater competence in accounting and financial management. This is sensible, but the general financial awareness among the line managers and staff is still too low. And financial prudence is not yet a dominant theme in most managers’ thinking – partly because of the way budgets are set and managed.

Other specialist skills need equal emphasis. In particular, there are problems faced by those charged with managing procurement and commercial contracts. Good control of procurement calls for specialist expertise, analytical skills, strength of character to challenge robustly and

support from above – attributes that are not always found or sufficiently valued. Emphasis has been placed on the benefits to the public sector of outsourcing and integrating private providers to raise efficiency, but such providers have to be tightly managed if the full potential for the public purse is to be realised. So we shall focus particularly on the challenges faced in managing outsourced services and the supply chain later in this document.

A reliance on mechanical processes to compensate for the lack of the experience and skill needed to provide control. Project management is the classic example: many hours are spent in formal committees and steering groups reviewing ‘progress’ as the laid-down procedures require. These disciplines are sound in principle, but are often applied in a cumbersome way. The illusion of control is not matched by the reality. The participants lack the technical knowledge, experience and courage to probe sharply enough to expose weaknesses. And this is compounded by a culture of consensus amongst the middle managers who, wishing to rise rapidly through the ranks, avoid rocking the boat and challenging peers. So projects go on for months, being ‘reviewed’ regularly and apparently meeting targets, before gross slippage and/or overspending are exposed.

Most Government departments will also have running, at any time, a plethora of **‘change projects’**. These give the impression of activity, but rarely achieve their full potential, because they have no clear direction and are led by managers with limited experience, no real power, and an aversion to conflict. They lack the support from senior managers to impose unpopular change. Projects run simultaneously, with scope and objectives that overlap and even conflict. There should be ‘continuous improvement’, resulting from a controlled concentration of effort on only the best opportunities.

Measuring productivity in public services

The Office for National Statistics measures many aspects of Government. In 2005 it created the UK Centre for the Measurement of Government Activity (UKCeMGA) – possibly in response to growing criticism that increased expenditure in public services did not always result in better outcomes. UKCeMGA has produced many useful papers, not least in its work to incorporate quality as part of the measure of public service outputs. Since 2007 it has increasingly been able to include quality in its formal assessments of the productivity of Government departments.

The work of UKCeMGA is at a macro economic level and is not always informative to managers on the front line trying to apply difficult reforms. Nonetheless, some of its reports are helpful and offer a wider perspective. In 2008 it published a review of productivity in Social Service Administration – essentially the remit of the Department for Work and Pensions (DWP). It showed that between 1998 and 2007 productivity rose as a whole by 1.1 per cent a year on average, even though it remained lower than in 1998 until 2006 and 2007. The increase in productivity in 2007 alone amounted to some 16 per cent.

The report also recapped on the results of the efficiency targets set out in the 2004 Spending Review. The DWP reported a net reduction in the staff of 31,101 against a target of 30,000 and total financial savings at March 2008 of £1,446 million, exceeding the target by over £480 million. A relocation target set by the Lyons' review of 4,000 was also met, two years early.

This work shows how major reform, despite frequently changing objectives, can be measured objectively. But how rigorously is this usually done?

The London School of Economics (LSE) and the University of Bristol also have specialist units that lead research on this subject. In particular, the LSE has examined how information technology did not, on its own, enhance productivity in police operations.

Weak measurement of cost-effectiveness and efficiency by many administrative and support functions. Most front-line activities are now closely monitored and measured, but this rigour is rarely applied to back-office functions and the central Civil Service generally. Yet relevant measures can be designed, and appropriate benchmarks from similar tasks in other organisations can be applied to functions such as finance and HR. Benchmarking is an imprecise science, so needs to be applied with care. But certainly the public sector deploys more resources to fairly standard tasks than is accepted good practice. We have observed personnel departments in the Civil Service, for example with an HR person for every 30-40 members of staff when even moderately good practice would suggest a ratio of no more than 1 per 100 – and much more can be achieved by utilising technology well. This is a stark illustration of the prize for doing better.

It often proves **difficult to monitor progress**, even against major initiatives, because of variations in definitions and baselines. Classifications change frequently, so tracking the cost savings or efficiency gains is problematic. The costs of some administrative support can be included with the true front-line activity that, for various reasons, it happens to be located alongside. The distinction between truly 'direct' costs and 'indirect' (supporting) costs is not widely understood or applied. In 2008 the Treasury Select Committee commented that it was difficult to assess progress towards achievement of the targets set by Gershon because of the varying baseline dates used and a lack of clear definition of how savings were being achieved.

Budgetary control systems encourage money to be spent rather than saved in order to protect the budget allocation for the following year. So there is no incentive to reduce or delay expenditure. At its worst, this can result in a rush to spend money – almost recklessly – in the last quarter of the financial year. This has been recognised for some time. Managers fight for resources because they fear that once gone they may be impossible to replace – and it will be difficult to cope with increased demand and occasional crises.

The End Year Flexibility initiative was introduced in 1999-2000 to allow unused funding to be carried forward to the following year – subject to Treasury approval. Unfortunately, fiscal pressures have caused the Treasury to allow less flexibility than was intended, so it has lost credibility and effectiveness – as highlighted by the National Audit Office in its February 2008 report.

Reward systems do not encourage reductions in expenditure.

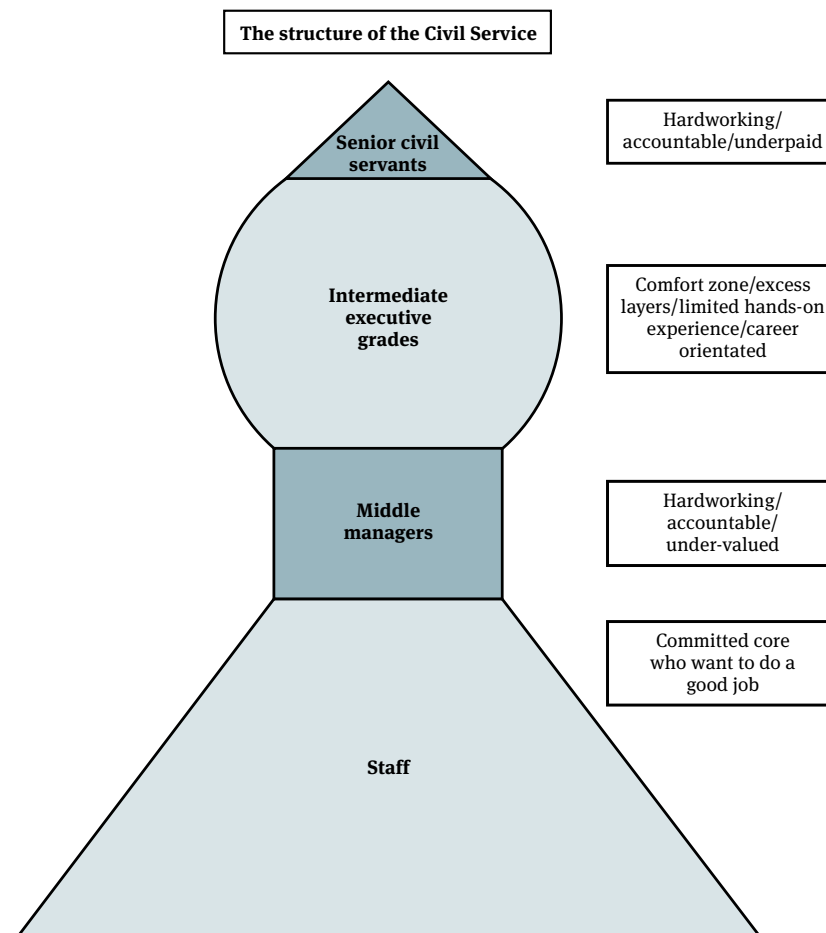
No bonus or salary is increased for cutting costs. The ultimate reward for a civil servant is promotion to a higher grade to manage a larger department – so size matters. Any significant reduction in the size of a unit does not result in a reward for its manager but can be seen as diminishing his or her status and suitability for promotion to a bigger job.

Middle managers in the front-line face close scrutiny, tight measurement and constant pressure to raise efficiency. They understand the need for this, but crave better leadership, more consistent priorities, real support to help them do their jobs and greater recognition of the problems they face. It is clear when working with these managers that there is a hunger for reform and a real desire to make things better. This is not always apparent in the approach taken by senior managers above. A prevalent culture of ‘care for/ listen to your staff’ rather than giving them any tough messages certainly does not help.

But the fastest route to promotion is for people seen as clever enough to help develop policy. This is because they are good at the things that matter most to Ministers. A phenomenon reinforced because in much of the Civil Service there is a skills shortage. There are rarely enough good people to do the things that need to be done so they tend to be concentrated on those things that Ministers are most concerned about – policy rather than delivery. So the best civil servants rise rapidly through the grades by focusing solely on policy (or slightly nebulous, quasi-policy-related jobs). Some are very good and make the effort to gain practical experience. But many quickly rise to senior positions without ever having managed a significant budget or number of people, and without ever being tested in a fierce, front-line environment. Yet now they have wide responsibilities for activities to which they have difficulty relating. Small wonder that such managers lack credibility with the middle managers who run front-line units or that new policy can prove difficult to apply at the front line.

The climate is also **highly risk-averse** – a bias that is also reinforced by Ministers who all too rarely wish to tackle change that might prove tricky to implement, politically difficult, have too long a timescale and be open to criticism if it only partly succeeds.

A picture of the organisational structure of the Civil Service



So, with these traits, the Civil Service often finds that it struggles to meet the aspirations, desires and expectations of the public, media and politicians. It is constantly striving to respond adequately to the demands for comprehensive reform in all aspects of its structures and ways of working. It has not developed a robust vehicle for continuous improvement that would create momentum for change at the grass roots and would allow it to respond when specific needs arise.

All organisations find reform difficult, but large, private companies have long recognised that sudden, comprehensive change rarely works. The imposition of a major initiative from the top can be more disruptive than helpful, and can become part of the problem. Managers feel they lack the power to do anything. But while they are waiting to be told what to do, those at the top do not understand the detail sufficiently to provide the specific ideas needed to generate improvement.

Good managers – whether in private companies or in the public sector – do not wait to be told all the answers. A lot can be done through the routine – albeit selective – application of good practice and discipline. This creates the local momentum and flexibility that enable the whole organisation to adjust and respond to any greater imperative by building on established programmes and promoting continuous improvement.

Part II: Some background considerations

“Here lies a civil servant. He was civil to everyone, and servant to the devil.”

C H Sisson

4 What is a manager?

Senior civil servants do not always see themselves as 'managers'. That role can sound somewhat mundane. But at the end of the day the key attributes of good managers are fundamental to providing the leadership needed to secure the change and the improvements demanded of Whitehall. And a manager is the keystone of any organisation. The simple but important definition is someone who has at least one other person (a subordinate) reporting to him/her. The subordinate, (an unfashionable but perfectly valid term) is someone over whom a manager has authority, to whom he/she gives direction, and for whose performance the manager takes responsibility.

An organisation will also have people whose roles are more technical and whose responsibilities as managers of people are, or should be, less significant. Such experts and specialists are of no less value; indeed they often make the most significant contributions to the development of policy, the introduction of new technology and the management of contracts with external suppliers. Yet this central value is diluted if, to justify their grades and salaries, they have to act as line managers as well as specialists. It is better to reward a skill than to sheathe it in extra responsibilities. Unfortunately, a focus on a technical specialism can be seen to limit career possibilities in the Civil Service, so people either accept promotion to posts that make less use of their skills or seek their fortune elsewhere.

Accountability

All managers should have a clear job description that sets out:

- The ultimate purpose of the role.
- The main responsibilities and tasks.
- Delegated authority.
- Measures to be used to assess performance.
- Clear accountabilities.

Despite what might seem to be comprehensive job descriptions, the specific delegated authority and aspects for which a Civil Service manager is truly accountable are often vague. Accountabilities should be hard and tightly measured, with clear definitions of success and failure. But accountability and authority also need to be aligned: as no-one should be held accountable for what he or she lacks the broad, delegated power to control. If someone

simply follows instructions and all real decisions have to be referred upwards, then accountability goes up with them.

Managers thrive on a realistic amount of delegated authority that stretches their abilities. When that authority is reduced, frustration arises – and performance falls. Clearly a manager's superior needs to monitor compliance with standards and policies, but, if insufficient freedom is given, the manager becomes little more than a messenger to subordinates. It is then not worth having the manager in place, and better to remove that layer from the structure.

Skills and managerial competences

A good manager should expect to spend at least two-thirds of his/her time interacting with the staff directly reporting to him or her, so there should be enough of them to justify this – a broad enough span.

If more than half a manager's time is spent on work that is distinctly different from that done by the staff who report to him/her, the job may be using the skills of a senior specialist, not a manager.

So, first and foremost, managers should be good at – and should spend most of their time – managing people. But it is common for the most skilled specialist to be promoted to head of department, even though he or she might have little talent for managing the staff, or for operations generally.

People with little experience of line management frequently move into senior managerial posts. They may have been in jobs that were largely specialist – often focused on developing policy. Suddenly, they find themselves responsible for a department with lots of people and quite complex processes that are critical to the provision of service to the public. However bright these managers are, they struggle. They find it difficult to relate and respond appropriately to the middle and junior managers in their units. And multiple layers of middle managers between them and the front line tend to filter information and keep them remote.

It takes time, training and effort to learn how to manage people firmly but fairly. These are skills that should be acquired early in a manager's career – ideally through a posting to a limited arena with close supervision, where the mistakes are less critical but valuable lessons can be learnt. Some

of the best managers in the Civil Service have made the effort to acquire a mix of specialist, policy-related knowledge along with hands-on managerial experience at the sharp end. This fully equips them for handling the different aspects of more senior positions. But not everyone follows this route. It can be too easy to take less challenging initial career paths, which leave them ill-equipped later. In addition, there is a recognition of the need for better financial managers, and more needs to be done to raise the status of senior IT and procurement/contract managers.

Managerial behaviour – approach and style

Managing people properly demands time and effort. Surprisingly, some gurus opine that the time is past when people needed to be managed. Instead, they claim that people need “to know in which team they play, and what skills they ought to contribute. Leadership can be done without managers managing people.”

Such tosh must be abandoned to academia and to those who merchant the books on management with sexy but misleading titles. The fact is that people want, need and demand strong management; otherwise there is a vacuum that breeds uncertainty and insecurity. And they must be led by managers with proper managerial remits.

A good manager aims at all times to obtain a superior performance from all those in his or her organisation – particularly from the ordinary and less experienced. And people respond when they are given a clear understanding of what is expected of them. Managers do this in many ways, by:

- setting standards of behaviour and performance
- applying sound working practices
- motivating and leading by example, and
- applying firm discipline, when necessary.

These attributes must stem from the top but need to flow down through the organisation, to be adopted consistently and to be reinforced by all managers at every level. That does not happen unless the leaders have an integrity that everyone can see. This underlying characteristic must be backed up by tangible demonstrations of good managerial practice that are reinforced and developed as a matter of course, not just when fashion or political pressure dictates.

Constant commitment to good managerial practice in the pursuit of continuous improvement is an imperative. It should be consistent – not just bursts of activity when stakeholders, the media or politicians demand it. (That style of management rarely succeeds.) It is rewarding to come across managers in the public and private sectors who share this commitment to continuous endeavour: people who chip away relentlessly at problems and constraints. They do not wait for someone else to solve their problems for them but seek to apply the basics of good managerial practice in whatever environment they encounter. Good leaders should strive for improvement every day and enjoy the rewards their commitment brings to them and their organisation.

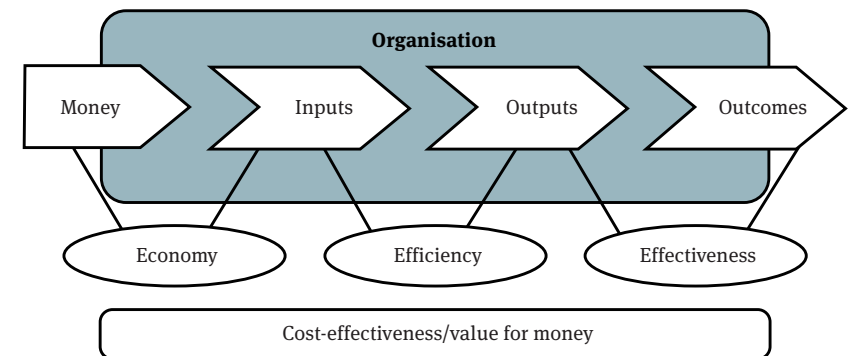
Good managers also recognise that there will be resistance from the staff, colleagues and other ‘stakeholders’. They seek to manage it in ways that minimise conflict and opposition, but deal with it head on when necessary. Once resistance is from less than 5% of the stakeholders concerned, it can usually be overcome, so the aim should be to secure strong sponsorship and resolve concerns early – at the very outset of any project – to prevent opposition from building and becoming entrenched.

5 Parallels with the private sector

“Don’t be afraid to take a big step if one is indicated; you can’t cross a chasm in two small jumps.”

William Lloyd George

The Government has set out in its ‘Outcome-Focused Framework’ a summary of the relationship between cash and non-cash resources, services and outcomes. It is a very useful model that is illustrated below:



One of the biggest temptations for managers in the public sector is to over-emphasise the differences between their world and the private sector, to magnify the constraints on making change to improve performance. Yet the ‘Outcome-Focused Framework’ captures the essence of the pursuit of cost-effectiveness in both environments. The challenge for all managers, wherever they work, is to make the most effective use of all inputs to maximise outcomes.

Yes, there are differences. The most obvious and frequently quoted is the absence of ‘profit’ as a motive and as a measure of success. But in the public sector many other objectives can be used to define success and can be measured in appropriate ways. After all, even in private industry not everyone is measured on profit.

Factories are often run as ‘cost centres’ or ‘service centres’, with objectives and measures defined in relevant ways. The Civil Service has some very clear objectives. Some are unique – the duty to serve democracy and parliament is an absolute requirement that rests solely with the service. But all such activities can be monitored, and the effectiveness with which they are performed can be assessed to confirm that all tasks – however specialist – are done effectively.

And there are lots of parallels with the work in the private sector from which lessons can be learned. Numerous benchmarks developed in the private sector can readily be applied – including those for the costs of transactional activities such as accounting, payroll and the administration of HR.

But even when more specialist activities are considered, parallels can be seen. The task of developing and applying policy has many similarities with the work of Corporate Planning or Research and Development departments in large private companies. If those activities can be managed effectively, so can Government policy units.

Whatever the environment in which an organisation works, it is still possible and desirable to strive to put in place the main elements of good practice that enhance effectiveness:

- Lean organisational structures
- Short chains of command
- Challenging measures
- Efficient processes and procedures
- An absence of overlap and duplication
- Tight control on investment
- Sharp disciplines and recognised behavioural norms.

Robust but fair treatment of people

Managers should have the discipline and determination to manage people robustly but fairly. It is also necessary to have constructive but firm engagement with subordinates, trade unions and representatives of the staff to allow performance to be managed appropriately and change to be enacted in a way that meets the needs of the organisation but is also fair to the people affected. There is always resistance to major reform. Private industry has for a long time sought ways to make painful changes without promoting strife. As we shall discuss later, the public sector can do the same, if it tackles such problems with the necessary care and confidence.

6 Framework for reform

“*The wise man does at once what the fool does finally.*”

Niccolo Machiavelli

Successful reform depends on ‘good’ managers applying ‘good’ managerial practice. The latter can be summarised in essence as concentrating on:

- Long-term objectives – tightly monitored and properly measured.
- Medium-term effectiveness – the attainment of results and an emphasis on continuous improvement.
- Short-term flexibility – an ability to respond to tactical objectives and events.
- The mitigation of risk – understanding and responding to the threats to the organisation.

To achieve real progress, the elements should be combined in a comprehensive plan, expressed in logical steps towards the necessary competences and creating a momentum that becomes difficult to halt. It should start by making sure the necessary disciplines are in place and will combine effectively. They include:

An effective organisational structure with short chains of command and clear responsibilities and accountabilities
Competent managers with the necessary skills and experience
High-calibre specialists to fill key technical posts
Appropriate tools for monitoring and measuring performance, confirming success and highlighting slippage
Support from the wider organisation, including critical stakeholders who might otherwise block reform
The collective courage to force reform through when it is not always popular
A selective programme of projects and initiatives that advance steadily towards the strategic goals
Firm management of programmes and projects

The decision to proceed

‘Should this project proceed or not?’ That is a tough call for lots of top executives. Even in planning and preparation, projects gather momentum – and champions are eager to press on. But those close to the project may not always understand the priorities for, conflicts within and constraints on the larger organisation. So the senior managers must decide whether this particular project fits with the overall programme of initiatives and deserves the resources to be allocated to it. Too many plausible ‘bright ideas’ are given the green flag even when there are already far more important and possibly conflicting initiatives under way. It is too easy to sleep-walk into disaster – to let complex technical projects go ahead and turn a blind eye to the demands and risks.

And there are **strategic decisions** to consider. A decision is not strategic just because it is complex or ‘grand’ in conception. But it is strategic if undoing it would take a great effort, or would have a big impact on the organisation. By this test, many decisions that are strategic are made without adequate investigation or consideration. In contrast, too much time may be spent debating matters that could be reversed in days with little risk. Special care is needed to determine which matters are truly strategic, because those decisions may well have to be delayed.

Managing risk

Managers often shy away from highlighting risks other than in a rather academic detached manner that implies that ‘of course all the risks are under control’. Or they debate and report at length on trivial or remote possibilities that are of little consequence to the work in hand. Yet in life there are real risks and – whatever the best managers do to avoid it – things do go wrong. So those managing change must first accept that there will be risks and then take all possible steps to mitigate the significant ones and their consequences.

Problems and unexpected events have to be managed actively. It is a prime responsibility of managers. Doing nothing is rarely a sensible option, as that allows latent threats and pressures to grow. The fear of risks should not therefore become an excuse for delay or inertia.

Measurement and control

At the same time, the framework for **measurement and control** and the plan for restructuring should be established. The organisation should be appraised against a comprehensive checklist. Ways to improve operations and to cut costs must be devised, modelled and tested. Some tasks will be relatively easy to achieve and should provide the much heralded ‘quick wins’. Others will require a lot more investigation, appraisal of the impact on customers and, often, well reasoned arguments to overcome the resistance of managers and others. All this takes time. So a good project manager is a must – to keep things on track and to react to unforeseen snags.

Above all, front-line activity has to keep going. Reliable, timely and consistent **financial and operational reporting** needs to be in place as soon as possible. This cannot be taken as a given. Every organisation has its own rules and protocols for compiling the managerial accounts. Until these are understood, and accepted, every report should be treated with caution.

Communication is a high priority. Stakeholders, suppliers and employees all have a right to know what is going on and that their interests are being protected. The planning phase should include the best way of communicating carefully crafted messages to each of the priority groups. Good practice demands that as much communication as possible should be face-to-face.

Part III: Getting serious reform under way

“Nothing so needs reforming as other people’s habits.”

Mark Twain

7 Getting all your ducks in a row

Once an assessment of the basic competences of the organisation and its managers has confirmed the potential to launch a programme of reform, a number of steps then need to be followed.

Selecting relevant projects

A structured improvement programme will usually comprise a series of discrete projects, which build in a complementary manner to meet the strategic objectives. Any projects that do not fit with these objectives and the current structure and capabilities of the organisation should be delayed or stopped.

The emphasis can vary. Some projects will seek simply to cut costs, either to reduce budgets or to allow resources to be re-invested elsewhere. Some will aim to improve processes, so that service can be provided more quickly and responsively. Others will meet the need for a radical restructuring to reflect a step-change in the demands on the organisation. In practice the driving force is often a combination of several complex objectives – some complementary, others potentially conflicting. They need to fit the overall plan. Their aims and requirements should be set out clearly, so that priorities and ‘trade-offs’ are understood and accepted by all stakeholders from the start.

Immediate actions to launch an improvement programme and manage its risks

Once there is an outline of what needs to be done, a number of checks should be made:

- Make sure all the major stakeholders understand the context and plan of the programme and its sub-projects.
- Confirm the scope, and the managerial authority for making it happen.
- Set out the desired outcomes and objectives.
- Select appropriate financial and other measures – with a clear baseline against which progress can be assessed.
- Confirm systems and information flows to support decision-making throughout the life of the programme.
- Clarify where the project fits within overall programmes and priorities.
- Establish the framework for organising and managing the project.

- Make a thorough appraisal of the organisation and its ability to support the initiative and respond to the outcome.
- Examine the potential impact on the staff, including the re-allocation of employees and duties.
- Allocate sufficient resources to manage the work and minimise risks.
- Highlight and assess the impact and likelihood of the risks involved in a realistic manner. Determine how they can be mitigated and instigate timely action to do so.
- Assess the likelihood of opposition from within the organisation and conflicts with other work. Confront opposition openly to determine how objections can be overcome.
- Brief senior managers on those risks and conflicts that could have a high impact – even if not likely. Secure their support to proceed despite these risks with appropriate plans for mitigation and contingency, as appropriate.
- Decide whether the overall costs, risks and demands of the project make it worth doing in the current climate and in comparison with other initiatives.
- Establish effective communication – with all interested parties.
- Research all the options and analyse the data.
- Create a structure of accountabilities – with metrics and managerial nodes.
- **And**, be prepared throughout the life of the programme to stop or delay the programme or specific elements if the potential benefits do not justify the inherent risks, conflicts and constraints faced by the organisation.

This last discipline is one most often ignored – in the private and in the public sector. But the failure to acknowledge that a programme or one of its elements is going wrong only increases the money and effort that then get wasted. Sooner or later the failure will be recognised. Better to make it sooner and to adjust or change direction while that is still possible.

8 Reform through discrete, manageable projects that create momentum

“Whenever you find that you are on the side of the majority, it is time to reform.”

Mark Twain

Creating momentum for reform at the right level

Attempts to reform the Civil Service and improve its performance have been going on for over 150 years. So it is important to give credit to the positive things that have been achieved – particularly in the last thirty years. But the weaknesses that remain are often amplified by the tendency to focus on and wait for top-down initiatives that will somehow magically transform and modernise the Civil Service to meet all requirements. And while this consummation is still being devoutly wished for, the clock is still ticking and opportunities to make progress through routine good management are being lost.

Successful changes – to the culture, organisational structure and ways of working – rarely stem solely from a top-down, ‘big bang’ approach.

Indeed, attempts to impose radical change primarily from the top can often be disruptive and counter-productive if they are not combined with a complementary movement at the grass roots to resolve local constraints and remove inefficient customs and practice.

Yes, leadership is needed from the top, but real improvement to local working practices is most likely to stem from incremental changes to local units, departments and processes that gradually alter the overall organisation and ways of working. The requirement from the top might be for the public sector to reduce costs by several billions of pounds, but that can only be done by breaking these huge figures down into smaller amounts that can be allocated to and recognised and managed by line managers with the necessary accountability. These local initiatives do not need to and should not wait for the word from above. Good practice can and should be applied – whatever the environment – to create the platform, culture and momentum needed

to complement broader programmes. The aim should be to keep ahead of the pressure – ready to respond with contingencies in hand. Without some momentum, a credible response is almost impossible.

When do consultants add value?

11 key questions to ask before engaging external support

- 1 Are you firmly committed to using external support? Is there a clear rationale for why it is needed and what it will achieve?
- 2 Do the consultants really understand what you want to accomplish? Is it spelt out clearly in their proposal?
- 3 What will the consultants actually do in the context of the overall programme?
- 4 Are there sufficient project phases? Can progress be satisfactorily assessed at interim stages?
- 5 Is there a consensus on the starting point? Can efficiency savings be reported with confidence?
- 6 Do the consultants have skills that are not already in the organisation?
- 7 Have you agreed precisely the ways in which the consultants will work – as facilitators, team leaders, subject specialists etc?
- 8 What internal resources are necessary? Have they been clearly specified? Will the internal staff be available when required?
- 9 Have the consultants explained how they will transfer their skills and knowledge to employees? If so, how is this going to be built into the project plan?
- 10 Are there clear lines of reporting and a nominated senior responsible officer? Have other communication channels been set up?
- 11 How else can the consultants contribute? What do you expect from them over and above their contractual commitments?

The structure of the Civil Service lends itself to devolved initiatives

The Civil Service is not homogeneous, and it is unrealistic to assume that it can be reformed as if it were. It is composed of a series of departments, agencies and units – each with its own strengths, weaknesses and challenges that cannot possibly be transformed using one standard approach. One size most certainly would not fit all.

The structure demands that overall programmes of change should be broken down into discrete initiatives that resolve specific problems and provide real improvements to outputs. This can only be done in manageable chunks. The principal processes and capabilities in a department need to be analysed in detail, the preferred options selected, and the consequences of change (good and bad) clearly seen. Only then can managers feel confident that they have control of the programme of work and are able to monitor progress sufficiently closely to allow success to be measured and the necessary adjustments made as work proceeds. (No programme of change ever simply flows through without the need for intervention and fine tuning.)

Combining local projects to create an effective overall programme

To meet larger-scale objectives, local projects need to combine to create a coherent programme of reform within which each piece contributes to the final goals in a complementary manner. Too often projects and programmes lack this coherence. Conflicts quickly develop between objectives and the ability of the organisation to support the work. Managers with a demanding ‘day job’ are also expected to contribute to a range of projects with no clear understanding of priorities and benefits.

So, robust management of all projects and programmes is needed to create an effective overall framework for reform (see section 15). Often saying no to the latest ‘bright idea’ is the most important contribution that a senior manager can make. Selective pursuit of a few key projects might not satisfy the instinct for ‘lots of activity’ but gives better long-term results than chasing everything. And a selective approach also needs fewer people, which in itself can give a remarkably large saving.

The outcome of this approach is a series of projects each of which makes improvements in its own right that contribute to the overall targets. They also complement the bigger objectives of the various reform programmes

by creating a 'can-do' attitude amongst the staff and a culture that accepts and embraces change willingly. Local initiatives, in which all concerned feel they have a stake, quickly remove the fear and resistance that 'change' often provokes when it is imposed from on high.

But it takes managers with the right skills to engender this response.

9 Back office versus front line

“For every problem, there is one solution which is simple, neat and wrong.”

H L Mencken

What is meant by the back office and where is the boundary with the front line?

First of all, there are the truly 'direct' activities, the genuine interactions, in person, by telephone or otherwise, providing services that the public can see and value (or not).

Then there is a further, unique set of activities, also 'direct', through which Central Government contributes to the development of policy (including legislation), serves the needs of parliament and makes a tangible contribution to democracy.

Behind these activities is a raft of people – some in the centre and some in the field – to control and monitor activity and provide support of one form or another (finance, HR, information technology, administration, procurement, estates and so on). These activities are essential to the efficient running of public services and when done well make a valuable contribution. But they must be recognised for the controlling or supporting but essentially 'indirect' role they play – wherever they are placed and whoever manages them. It is quite common for indirect (back office) workers to be classified with the front line because they form part of a front line programme or team. They should not be ignored or discounted when the overhead and overlap with the centre are examined.

To optimise the back-office activities of an organisation, first assess the people in place and their responsibilities for support and control. Only then can a lean structure be created, with processes designed to do each necessary task once and once only, at the best location (locally, in a regional centre, in an agency or in Whitehall – but not all four) and to allow the correct 'hand-overs' between the different teams.

Tackle back-office effectiveness first

Most private enterprises, given the option, will first tackle back-office systems that do not face the public. Only when these changes are bedded in and seen to be working properly is it safe to start improving the visible face of the organisation. Yet the public sector has many times taken the opposite approach. It often changes front-line systems and procedures quite radically without making sure the 'back-office' support is aligned correctly either first or at all. There are often strong political reasons for this focus, but it again makes the case for early initiatives to prepare the ground.

To set and control the agenda, the organisation has to have the confidence to recognise that a lean, efficient back office gives it much greater flexibility to adapt quickly:

- to achieve the tough targets for improving services set by ministers and their advisors
- to respond to rapid technological change
- to cope with the requirement to cut central costs, move people to the front line and enhance overall effectiveness
- to put lean but effective control and supporting services in place.

The devolutionary principle

Devolution can have a huge impact on the performance of managers. Properly done, it will push any managerial accountability down to the lowest competent level in the organisation. The level is defined not by whether the job holder is up to the task but by the accountability set out in the job description.

There is no suggestion that this condition ought to influence the number of levels or layers that are appropriate for any organisational structure. But there should be a tangible connection between any definition of 'level of work' and the level or layer to which decisions and accountability for results are devolved.

The inherent problem with many traditional structures is that they become monolithic. Whether or not they have few or many layers, decisions (and therefore accountability) are reserved for the top rank, and tend to be concentrated in a very few senior jobs.

Not all structures have these characteristics, and steps can be taken to avoid this pitfall. Good systems for managerial information can allow useful Key Performance Indicators (KPIs) to be selected from consolidated data, and accountabilities to be measured. Senior managers can delegate authority for routine activity and manage with a 'light touch', using a few KPIs to monitor performance – and intervening selectively but strongly when necessary. Traditional monolithic structures are inherently unhealthy. The temptation to retain authority too high up the organisation is strong. It makes top senior civil servants behave like medieval barons. We understand the pressures from the media and politicians that can promote this behaviour, but it is not the most effective way to run large, complex organisations.

Authority and activity should be moved as close to the front line as possible:

- to allow managers to fulfil their day-to-day responsibilities speedily and effectively
- to align support and control as closely as possible with the needs of the organisation
- to gauge the effect of changes quickly and assess their impact on 'customers'
- to enhance communication and responsiveness.

The exception may be high-volume transactions that can best be handled in shared service centres to exploit economies of scale. However, care must be taken not to under-estimate the residual effort needed in local offices to provide the necessary links to these centres.

10 Every plan for improvement will be opposed

“For every action there is an equal and opposite government program.”

Bob Wells

Plans and tactics for reform evolve as it proceeds, and as more and more becomes known about the organisation, its stakeholders, its abilities, and its main cast. The original rationale for the programme will provide direction and a focus for action. But managers must be prepared to encounter challenges to the original business case and to adapt as circumstances and priorities change and information accrues. Some objections may well be attempts at sabotage – managers acting in self-interest against the wider good. But some challenges will be valid. It is important to be open-minded and honest enough to recognise when an adjustment to the plan is needed.

Opposition may stem from people in the organisation with an interest in maintaining the status quo. Often this can arise simply from a fear of the unknown; a nervousness that ‘change could make life harder for my function’. Others recognise that sharper ways of working could increase the accountability they face or could even threaten their security of tenure or prospects of promotion. If a managerial layer is removed, there could be fewer posts on the promotional ladder and more competition for them. So opposition will arise from parties who do not fully recognise the potential benefits to the organisation, or are indifferent to them.

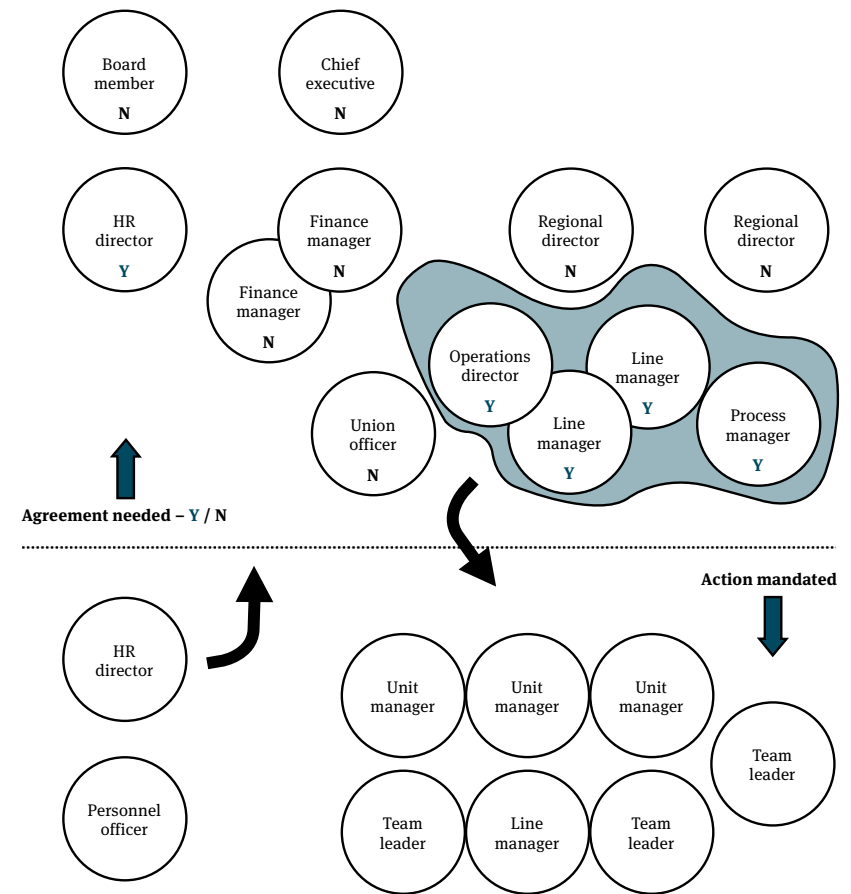
Are the senior managers ready? How well do the senior managers make and support radical changes? Will a lack of vision amongst the senior team put plans at risk? What events or other changes might promote conflict and divert resources? What lack of skills might be exposed? Are there budgetary constraints and pressures on the Board that could deter or encourage action?

The main players – Who really will make a difference? Not just the senior civil servants that’s for sure! Who will play a leading part in the new organisation? It is vital to find out. It is easy to be impressed by smooth talkers. But success can often depend on people behind the scenes and lower down in the organisation. They may have a rare expertise or deep relationships with key stakeholders or the public.

Who might resist reform? Where and why might objections arise? Have they any validity against the benefits of the change? How can those with conflicting objectives be persuaded of the long-term net gains to the organisation? It usually pays to confront these concerns early to prevent opposition becoming entrenched and growing out of proportion. Yet the temptation is often to play down the potential impact of a reform until it has to be revealed. But that rarely inspires the right reaction from those affected, who sense the concealment and grow more suspicious. It is far better to be open at the planning stage, to seek to incorporate into the programme those elements that will reduce conflict, and to win support for the net benefit of the programme from the outset.

An analysis of the wider organisation should work out who needs to be in agreement with the programme of reform and who can and should simply be told to co-operate, even when reluctant. If the culture is to consult widely, the temptation is to seek too broad an initial consensus. The more widely agreement is sought, the greater the risk that someone who feels adversely affected will try to put a spoke in the wheel. In practice, the numbers of those who need to agree or who have power to block should be limited. Yes – agreement should be sought from significant decision-makers. But others should first be carefully briefed, so that they understand what they have to contribute, and then simply told to get on with it, any discomfort being managed sensitively but firmly.

The aim should be to keep the boundary line between those who need to agree and those who should be mandated to co-operate as high and tight as possible. This runs contrary to the culture of consultation and consensus that prevails in much of the Civil Service, but is the only practical way for radical reform to succeed. This approach is illustrated below:



The line between those from whom agreement is needed is quite rightly set high and is closely linked to seniority, but that does not mean that all senior managers in an organisation need to support a particular reform in a function for which they have no responsibility. The focus should be on those directly affected or who need to contribute to it – the shaded group in the diagram are the nub, plus one person (the HR director) in a relevant but ancillary position. Those not directly involved should have the discipline to stand aside and give tacit support for reform being led by their colleagues without seeking excessive involvement. They should not dabble.

Beyond the senior team it might be necessary to gain agreement from some less senior functional managers whose experience, knowledge and skills are vital to the success of the initiative. So a key manager might have to be brought 'above the line'. But this should be done very selectively. It is all too easy for the desire for consensus to give too many people the ability to block reform. Ultimately, some dissent simply has to be overruled.

11 Shaping the organisation

“To get something done, a committee should consist of no more than three people, two of whom are absent.”

Robert Copeland

An understanding of how an organisation should work – in comparison with how it currently does work – is a useful starting point for restructuring. Is the current organisation really fit for purpose today?

All organisations (both public and private) hover in a constant state of flux. They have to keep on adapting to changes: in their market or political environment; in the ambitions of their sponsors (owners or Government ministers); and in the economic/financial climate. So they can end up with a structure that was put in place for good reasons historically but which patently does not work today. This shows in lots of ways.

- Resources are applied inefficiently, leading to duplicated effort in some places and to an over-stretched staff in others.
- The managers and staff are not really sure what they are supposed to be doing.
- Processes act against the interests of the current objectives and policies rather than for them – particularly when the organisation is not aligned with the way of working and priorities that have evolved.
- Responses to problems are hit and miss.
- And the controls and measures of performance that should spur on the effective manager actually hold her or him back.

The resulting complexity adds cost and slows reaction time. Everything becomes more complex over time, particularly as quick fixes are overlaid on what was once good practice. So at intervals there is a need to go back and simplify both the processes and the organisation.

But many Government organisations have high inertia. Despite the progress of recent years, they remain bogged down in archaic and costly structures, with out-of-date processes and poorly trained employees. Worst of all, their managers lack imagination and fight shy of risk. The temptation is to abuse the sound principles contained in frameworks such as PRINCE2 to make the

administration and control of change more cumbersome and less responsive than it need be. Such organisations find it hard to change and need sensitive leadership to overcome the inherent caution and to adjust to a more selective and flexible approach to reform.

Seize opportunities to create effective structures

A programme of reform often creates the chance to put things right and to think carefully about how to meet current and expected demands.

- **Purpose** – What are the real objectives of the organisation, department or unit? What is it supposed to do day-to-day?
- **Environment** – What is going on around the organisation that is affecting the way it can and/or should operate?
- **Capability** – What should the organisation be capable of doing? And what should it stop doing?
- **Accountability** – Do managers know what they have to achieve and how they are to be measured?
- **Possibility** – What are the realistic options for a new structure?
- **Feasibility** – What constraints or conflicts might hinder the pursuit of the best solution?
- **Flexibility** – How quickly could or should changes be made?

The organisational structure also needs to take account of the processes to be followed to meet the goals and objectives – to fulfil routine and strategic tasks efficiently. Process re-engineering is discussed later in section 13, but clearly needs to dovetail with organisational reform. Change might well need to be iterative, phases concentrating on improving processes being complemented by subsequent refinement of the organisation.

Continuous improvement balanced with stability

Reform and restructuring is not a once-in-a-while exercise. There is a fine balance between the need for stability to allow people to get on with their jobs and the need for flexibility. Once a culture of dynamic, continuous improvement has been created, people respond enthusiastically to further initiatives to refine the organisation and make it more effective. People want to do a good job and often are frustrated by lack of action. So, once they start to see progress, they want more – steady fine-tuning of the organisation with any ‘pain’ sensitively managed. So reform becomes easier as people become more flexible and adaptable and as ‘change’ stops being a scary topic.

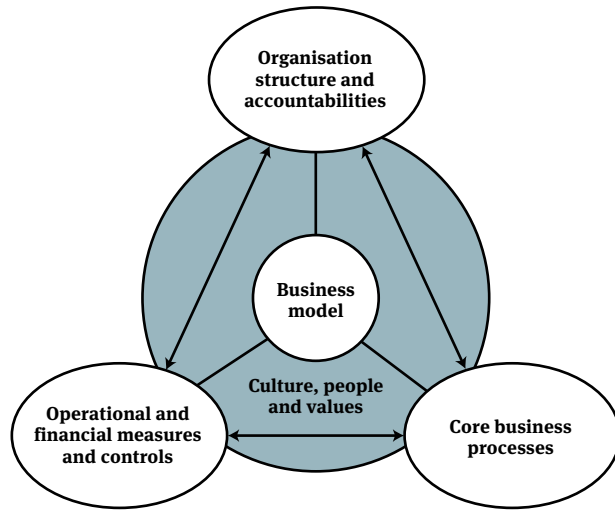
Any major restructuring is therefore most likely to succeed if it takes place in stages and is evolutionary not a sudden ‘revolution’. The big bang approach, though sometimes necessary, is disruptive and fraught with danger – including risks of difficult employee relations. It is always easier to adjust gradually and gently than to have to displace large numbers of people in a short period. If a culture of continuous improvement has been instilled, it creates flexibility and momentum ahead of whatever is demanded, so that, even if efforts have to be re-directed, the organisation will find it easier to respond. Such an approach demands excellent leadership – someone that will keep a firm hand on the tiller even when there are conflicting messages from below. Attempts to restructure or change the focus of large organisations quickly from a ‘standing start’ almost always fail and create more disruption than real progress.

A balanced organisational structure

The organisational structure translates agreed plans into tangible results: to manage assets, control resources and provide services. Most of all it should provide a framework in which people can excel and contribute positively to the success of the organisation. And it should have the ability to renew itself, to adapt to emerging situations, and to respond to changing circumstances. Given that structure has a major influence on costs, it will also have a huge effect on overall value-for-money.

Good business models achieve a balance between the three main aspects that support them and complement the culture and values – as shown here:

A balanced approach to organisational design



An organisation keeps its balance only when each component of the structure responds to the evolving plans and to changes in the other elements. To define an overall structure, it is necessary to determine managers’ accountabilities and responsibilities; fully specify jobs; design processes to meet the public’s and stakeholders’ needs; and apply powerful but simple controls to monitor performance and prompt the right managerial behaviour.

The elements depend on each other. Wherever in the cycle you alter the status quo, you should consider what changes in structure, accountabilities, processes or controls that initiative will bring in train – and what effect they will have on the underlying culture and values. This is likely to be a continuous, iterative process, since it is rarely possible to achieve perfect balance. But the aim should be to get as close as possible to the optimum.

Structure and accountability

Organisational charts frequently do not reflect how an organisation actually works. In fact, an extensive, informal grapevine of communications, influences and alliances often complements, or can even contradict, the

formal channels. Nevertheless, the prescribed structure should have a major influence on managerial behaviour and should set the framework for costs and accountabilities. It can provide the differentiating factor for maximising effectiveness, if designed with sufficient understanding of the environment and of the strengths and weaknesses of the organisation.

The structure should take account of the main business processes and systems, and should illustrate to everyone how performance is measured and costs are controlled. Managerial controls also need to reinforce the hierarchy of the organisation by integrating power and authority with accountability. They can provide powerful levers for encouraging managers to perform better and for rewarding excellent performance.

Recognising the principal processes

There is a natural tendency to organise around common skills and types of work – HR, purchasing, finance et cetera. This makes departments easier to control because managers are supervising employees with experiences and competences with which they are familiar. This arrangement is also a sensible approach to the co-location of similar assets and facilities.

However, the few, principal processes that determine the performance of an organisation and promote its objectives usually span more than one department. So there is a strong counter-influence to structure the organisation around them. This minimises the loss of momentum, quality and managerial accountability that can occur at the artificial interfaces between departments.

This approach also prompts a systematic analysis that:

- highlights each main task and its supporting activities
- determines whether a task or supporting activity is better done at the centre or in local offices (but not both)
- indicates where authority should be delegated to local (and possibly relatively junior) managers
- creates clear and effective links between central and local activities
- establishes the costs of aggregated tasks and the main elements of each process
- allows a cost model to be developed, indicating the sensitivity to fluctuating demands

- defines where and how managerial controls should be applied
- highlights gaps, overlap and duplication.

Understanding the full extent of a principal process and designing the organisational structure around it can help managers to control costs better and deploy people efficiently. It also helps them to appoint members of staff who should have a better idea of how their jobs contribute to the overall aims and objectives. And successful initiatives to improve performance are often centred on rethinking principal processes and reviewing all their inputs and outputs.

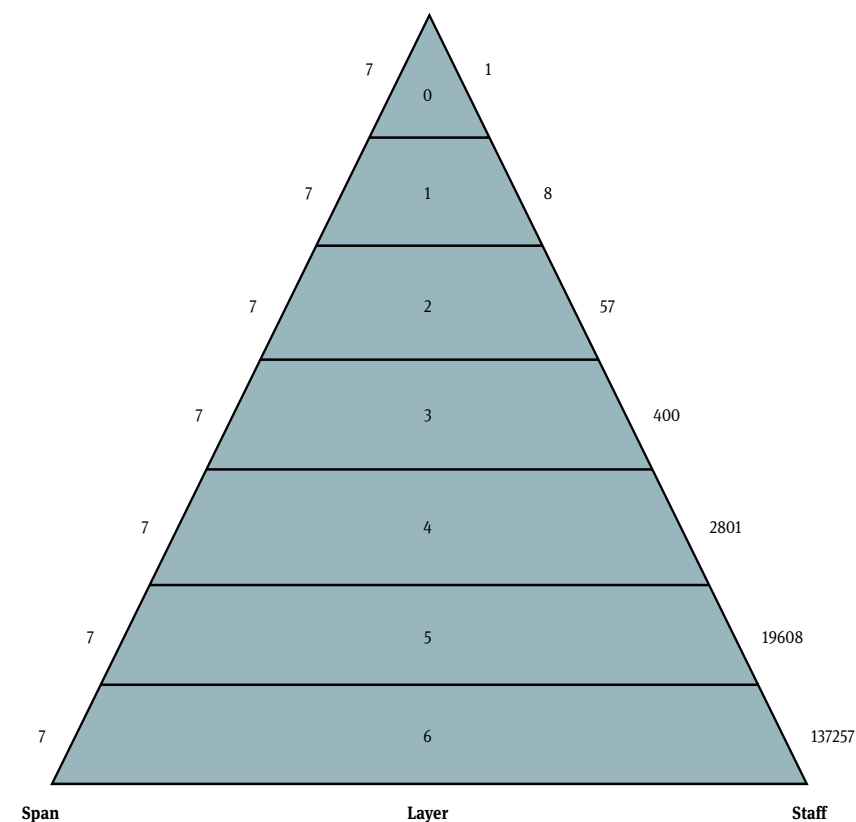
In large, non-devolved organisations and in non-commercial enterprises there is often a compromise between the ‘vertical and functional’ and the ‘horizontal and process’ strands. Some managers will have dual responsibilities, but their critical managerial accountabilities (and key performance indicators) should be closely linked to the efficiency, effectiveness and outputs of customer-focused processes.

In the public sector, greater consideration needs to be paid to the effective provision of ‘back office’ support and functions for monitoring and controlling activity. As noted before, the emphasis is often on trying to improve front-line provision of services, but these units can operate effectively only if support from the centre is efficient and does not impede local managers or distract them from pursuing their objectives. Lean, competent central structures provide the best support and control but are too rarely found.

Creating a lean structure – Layers and spans

The ‘shape’ of an organisation does a lot to determine its effectiveness and cost. Wide, flat structures tend to be more efficient than tall, narrow ones. Many organisations have loads of people with managerial status (and pay) but no clearly defined managerial responsibility. This results in higher costs, slower responses, and lower productivity. The number of layers can easily proliferate while spans shrink as managers seek to justify themselves by over-managing a small number of subordinates. The narrower the span, the more layers are likely to be generated as a result. The population thought to be necessary has to be fitted in somehow!

Theoretically, a pyramid structure of only six layers with an average span of seven is possible in an organisation of 137,000 people – big enough with plenty to spare for most Government departments!



Lines of reporting

Unnecessary managerial jobs and layers are often created to feed a human need to express and defend seniority. In the Civil Service this is sometimes tolerated to solve or avoid conflict and other interpersonal problems.

For example, charts often show all members of staff in a department reporting indirectly to the departmental head through a deputy or assistant head of department. This one-to-one reporting arrangement is seen in many organisations as unexceptional. It may even be claimed that it does not work like that in practice. In which case, why not draw it as it works? Or if it works

as drawn, can the practice be defended on grounds of necessity or logic? For there may be no good reason why the head of an accounts department could not have a dozen people directly reporting, particularly if some of the work being done is of a uniform type or level of skill.

Deputies do not have to occupy a managerial layer. And the direction of work hour-by-hour can often be done not by deputy managers but by team leaders who can occupy the same layer as the rest of a group. A separate and additional managerial appointment can then be avoided.

The optimum has been found to be a structure with the average span of control of eight and no more than five layers between the person at the top (the Permanent Under-Secretary?) and the lowest supervisor. Few Government departments get close to this model.

Better accountability, lower cost and more effective communication

Fewer managerial layers make for flatter and more cost-effective structures that facilitate communication down and up. Flatter structures focus accountability more sharply because they delegate more. Spans of control should allow senior managers to supervise the work of subordinates but not encourage them to micro-manage it. Subordinates should have sufficient delegated authority to allow them to get on with their tasks and meet day-to-day objectives while knowing when – by exception – decisions need to be referred upwards.

Flatter structures normally improve communication, the motivation and control of the staff, and the performance of the senior managers, who become less likely to be out of touch with the quality of the work and processes. More layers spread and diffuse the responsibility for measurable outputs. If managers do the same tasks as those they manage, they are more likely to be simply ‘team leaders’. Those who do specialist work, or who are classed as ‘experts’ and manage or supervise few others, or none, should not be called managers but placed elsewhere in the structure. But they should still be rewarded appropriately for their skills.

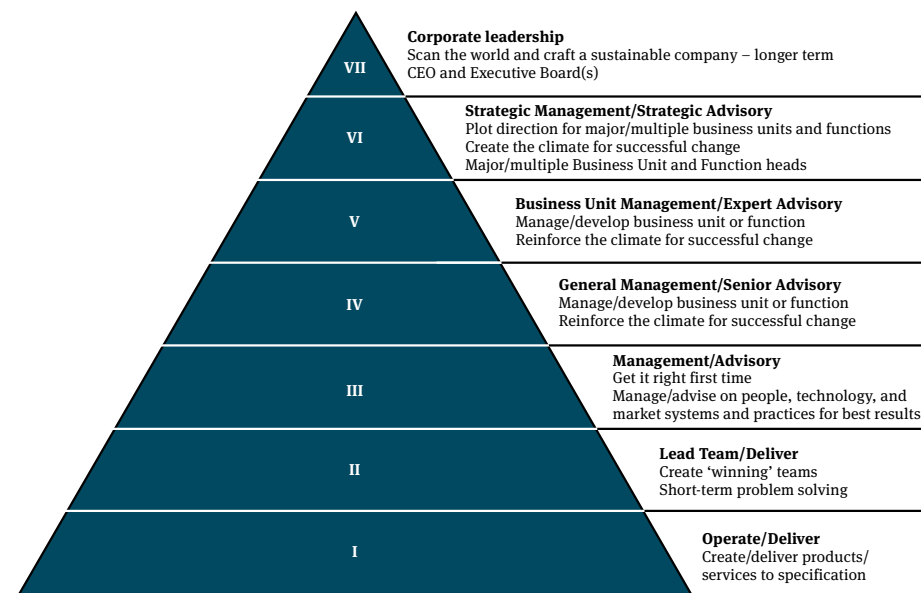
Levels of work

In an organisational structure it is not necessary for jobs in the same layer (counting down from the top) to have the same rank, that is to say – the same grade, pay or other indicators of seniority.

While the 8 x 5 benchmark is a useful check, there is also a more systematic approach that can help control and optimise the number of layers. This is the levels of work method. It attempts to limit layers by creating a correspondence between each layer and a generically defined level or rank of job type.

The ‘levels of work method’ developed by Jaques¹ is based on his time span analysis. In this he classified managerial work into seven categories or levels based on the length of time for which each type of job was needed in order to achieve its aims. This was an indicator of the type of accountabilities associated with each layer and it is this that seeks to find a correspondence with the amount of managerial responsibility/content in the job (the level in the model) and the job’s layer in the structure chart.

Jaques’ model of seven levels of work



To apply the levels of work principle to the radical re-organisation of a structure, or to the creation of one from scratch, it is necessary:

- to recognise current problems: duplication, too many levels, too many layers, too much management (over-managed environment), excessive cost

¹ *Requisite Organisation: Total System for Effective Managerial Organisation and Managerial for the 21st Century – London: Gower, 1997.*

- to examine the characteristics of every managerial job
- to define jobs by title, job code, and function and map them to levels of work
- to define required work levels, noting that not all Jaques' levels are relevant to or required by all organisations
- to consult the job grade structure and to draft amendments, if necessary
- to eliminate managerial roles, jobs and capacity if they do not add value
- to re-grade jobs/people
- to create senior non-managerial streams to accommodate the high-grade, non-managerial (specialist) staff
- to draft a structure chart with appropriate layers and spans.

The exercise aims to achieve best fit and will therefore be iterative.

12 Getting the best performance from people

*“For a to speak to b, and b to a,
A stream of commonalty must be found.”*

C H Sisson

Achieving better organisational results should go hand-in-hand with the promotion of new and constructive employee relations. But that takes time, patience, and a consistent approach.

In the private sector the management of employee relations has, largely, moved on from the set-piece battles over the annual pay review. There is general acceptance that at least part of the justification for higher pay should be increased productivity. That can be hard to measure over a long period in a way that both sides see as fair, but it is recognised that it can provide enhanced rewards for employees as well as the organisation.

Unfortunately, employees in the public sector still argue that pay increases should be based on length of service and the cost of living, with little reference to productivity or the performance of the organisation or individual. Any revisions to terms and conditions, particularly when they stem from a re-organisation, tend to be met with suspicion and take a long time to negotiate and establish – even when the net impact on the staff is favourable.

To change this culture and create a greater willingness to accept reform, there has to be strong leadership and a concerted effort to present plans positively. The staff has to be persuaded of the need for change and of the longer-term benefits that self-managed reform can bring for the organisation and them. The alternatives can often be worse – either change imposed from above or further moves to ‘outsource’ activity so that the private sector is used to apply the reforms required.

There is a temptation to start by conducting attitude surveys and personal appraisals on ‘soft’ elements such as ‘culture and values’. And they have their place. But they will be ineffective until the infrastructure of employee relations has been set on a firm foundation of strong leadership, effective procedures and agreements, managerial resilience under challenge, clear processes for communication and consultation, and indicative, agreed, changes in operations.

Strong leadership

Ineffective employee relations may be down to weak leadership, perhaps over many years. Employees are happiest when well known rules are consistently applied. If managers and supervisors fail to do so, any strong character in the team may emerge as the role model. So the first thing to do is to appoint competent and experienced general managers into key line managerial positions. It is also important to have short chains of command, so that the staff knows exactly who the manager is and that he or she has the authority to respond to any concerns

Effective procedures and agreements

Well-documented but straightforward procedures and agreements are essential, provided that managers are properly trained in how to apply them. Without them, attendance may well be poor, product/service quality inadequate, housekeeping neglected, training undervalued and health and safety requirements paid only lip-service.

Procedures that were once crisp and sharp can become fuzzy over time as 'exceptions' and 'special circumstances' prevail. The re-establishment of clear and unambiguous procedures gives the managers and the staff the chance to discuss and to agree on the challenges facing the organisation. Some disciplinary procedures may, in the end, have to be imposed – there should be a limit on the amount of consultation with trade unions. But comfort should be taken from experience. Each procedure that is established paves the way for the next one.

Managerial resilience under challenge

If there has been a long period of neglect, it is inevitable that a few people, maybe of disproportionate influence, will not respond constructively to the change in regime. So the managers must take a tough line with them. Monitoring their attendance, performance, adherence to health and safety rules, and discipline will pay off in the end. Confrontation should be a last resort. But it may well be necessary if protracted discussion and consultation are unsuccessful. Take particular care to apply disciplinary procedures consistently. Otherwise all the good work done over the months and years can be undermined in days.

Clear processes for communication and consultation

Establish straightforward methods of communication between managers and employees straight away. Do not leave it to the trade unions. There are many opportunities for misunderstanding early on when there is little mutual respect, but these can be overcome by careful and consistent messages. Processes for consultation will first require effective mechanisms for communication. The structures for consultation should reflect the nature of the organisation, the geography and independence of sites, unionisation and the requirements of employment law.

Indicative, agreed, changes in operations

Set up one or two 'working groups' with managers and employees to discuss and to make pressing practical changes that, if successful, can provide early gains. Working together to make beneficial change encourages employees to see the positive side to discipline and procedures. Most employees respond to recognition and rewards for good attendance, excellent work, and involvement in improving the workplace, and are glad to see the back of the old practices.

Once again, with clear accountabilities, managers who are confident in what they are doing, and efficient processes promote a healthy environment and a productive, contented workforce. Managers have a hefty responsibility for motivating the staff, using a variety of tools – praise, recognition, potential advancement, training to acquire new skills and pay and reward. So a large part of the effort in promoting reform is concentrated here.

Tackling long-standing problems

People represent the biggest single cost, and even in the public sector, which people might join partly out of a sense of vocation, one of their main motivations is pay. So the terms on which they are employed are critical to the success of the organisation. Sometimes the business case for restructuring will be based on a more cost-effective structure and on linking the mix of staff and grades to changing requirements. Revisions to the 'employment package' are usually difficult to make. They take time. But this is not a reason for missing the opportunity.

Employee relations

The receptiveness of employees to change stems from the state of employee relations – but, even in the most positive climate, nearly everybody will have some reservations. Trade unions need to be engaged as early and as openly as possible. Good union leaders can be powerful allies when they understand fully the reasons for change and see some advantage for their members. Some mistrust in negotiations is almost inevitable, but it should be countered by consistency and transparency.

Civil Service trade unions are still stuck in the days of lengthy, detailed negotiations over every aspect of any reform. If two or more trade unions are involved, they can also take diverging stances that are difficult to reconcile. It is all the more important then that discussions should start early, and that the positive elements of any proposal should be communicated and strong leadership given that sticks to the plan and does not allow excessive compromise to be accepted. There are some surprisingly good examples of this in the public sector, when difficult change was well presented and then managed through in a fair but determined manner.

Managing performance

There should be no doubt how the organisation is to be managed and where responsibility for outputs and standards of service will reside. The new culture should emphasise excellent performance throughout the organisation with:

- consistent and well-publicised values and behaviour
- well-designed processes for managing performance
- visible, early and substantive actions.

Statements on new values typically will highlight the importance of service to the public, the interests of other employees and external partners, high standards of performance and innovation. They should set out clearly what needs to be done to realise the organisation's aspirations.

The achievement of satisfactory standards of performance by employees depends on day-to-day discipline and consistent behaviour by managers. Annual review mechanisms are always retrospective and do little to affect actual output. Despite this, the Civil Service devotes considerable effort to annual appraisals.

Managing absence effectively is an enduring problem

Many managers are less good at tackling routine problems such as absence, which remains stubbornly higher than in the private sector. This is an example of the tendency to rely on mechanical process (the annual appraisal) rather than on the subtler skills and willingness to confront people that are required to manage subordinates well, day-to-day. Managers themselves need to be challenged to acquire these skills as one of their own objectives and to demonstrate success through measures such as sustained progress in reducing absence – supported by unambiguous data. There are considerable costs in ignoring this problem – not least the additional pressure placed on employees when their colleagues are frequently absent.

Annual appraisal system – is it worth the trouble?

A robust process for managing performance should support efforts to get better results from people. Performance management provides that agreed objectives and requirements for skills, competence and training should be continually reviewed to improve learning, development and motivation. Managers need to discuss with the employees their inputs and outputs, their confirmed roles, and their contribution to the performance of the team.

The public sector has established a comprehensive system for reviewing employees' performance against objectives, built around Performance and Development Reviews (PDRs) for each person. Line managers and members of staff spend a long time on this process each year. It is sad therefore that this effort can become mechanical and mainly concentrated on meeting deadlines. Employees fail to gain the benefit they might if there were a greater commitment to providing feedback that is tough but honest and fair.

Managers avoid conflict and rarely provide the constructive criticism that is essential for an effective appraisal system. This is not unusual and is reflected in private industry. But rarely is there such extreme reluctance to criticise and mark down employees. Even excellent managers moving into a new post will struggle initially as they learn the job, fail to meet all standards fully and need counselling – yet this or any other weakness is rarely recognised.

A balance needs to be achieved. Some companies adopt an over-aggressive approach. They rank up to 10% of the staff as 'below standard' and then manage these people out of the organisation rather than give them a chance to improve. But, equally, there are government departments in which fewer than 1 in 100 members of staff is deemed to have failed to achieve at least a satisfactory rating. This totally lacks any managerial credibility.

Such an attitude does no-one any favours. It does not help the people being appraised to recognise aspects of their work that could be improved and it raises false expectations of promotion and reward. It does not help the organisation to deal with poor performance or to spot real talent when so many receive good reports.

Assessing managerial resources

It is not uncommon for there to be a crisis in the supply of experienced managers. Succession planning and managerial development may have been neglected, leaving little new talent in the pipeline. The age profile of the current cadre may be dangerously skewed. A number of approaches can be used to assess managers' skills and potential. The options include:

- individual assessment – using structured interviews, personality assessment and cognitive tests, to provide quantitative and qualitative data
- group administration of personality assessments and cognitive tests, yielding comparative data
- individual, structured interviews, providing qualitative data
- an assessment centre for small groups, comprising behavioural exercises, personality assessment, cognitive tests and group inter-action.

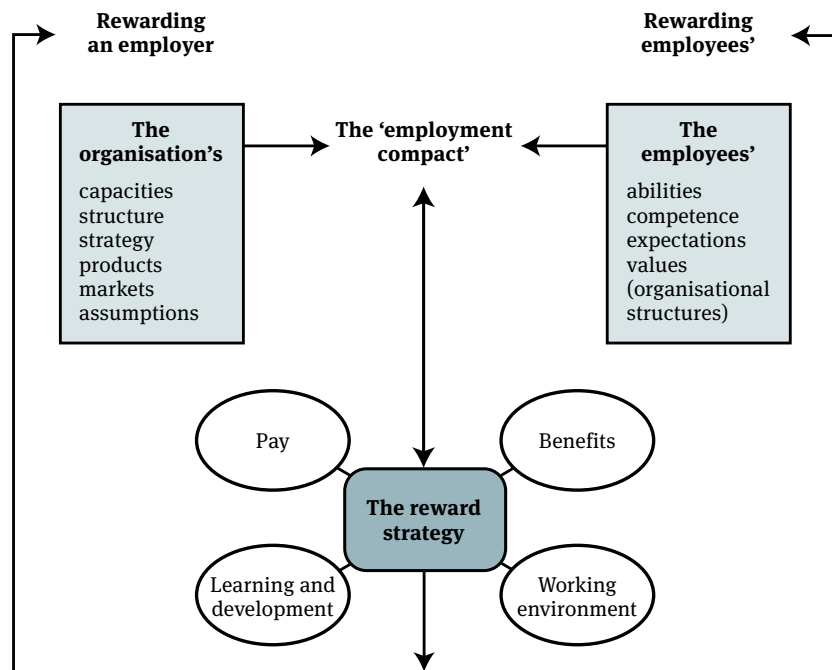
Reviewing employment practices – with a purpose

Large reductions in costs arise from major change – when fewer people are required than before and/or when the nature of the work becomes radically different. But when this happens it also affords an opportunity to review employment practices and to resolve long-standing anomalies and inconsistencies. It should cover:

- **Pay drift** – poor controls on pay inevitably lead to higher than planned costs. 'One-off' benefits, shift premiums and special allowances are always worthy of further examination.
- **Manpower planning** – is there an understanding of manpower needs, including key skills and provision for replacing those likely to leave or retire?
- **Recruitment and selection** – in many organisations, poorly co-ordinated recruitment processes lead to duplication and much higher costs than necessary. If key skills are in short supply, managers seriously underestimate the cost of finding good recruits.
- **Unproductive time** – an analysis will reveal the proportion of time being spent on meetings, travel, managing e-mail, social events and other activities of questionable benefit. The underlying rationale must be challenged.
- **Use of temporary and contract workers** – many organisations run with lots of agency, temporary and casual workers, but fail to find out their costs or to manage their performance. Nor is there the necessary appreciation of the employment rights that contract workers can acquire, which has led some departments into difficulties. Why have managers pursued this policy?
- **Overtime (paid or unpaid)** – too much or too little use of overtime indicates that people have been poorly apportioned to tasks. There should always be slightly more work than people to do it.
- **Managerial time** – a comparison of how managers in different parts of the organisation use their time can be revealing. Signs that they spend a significant amount of time on the same tasks as subordinates should be examined.
- **The management of performance** – is poor performance tackled honestly, fairly and in a timely fashion or are concerns allowed to drift? Failure to resolve poor performance does no-one – especially the person concerned – any favours in the long term.
- **Employee relations** – Are managers appropriately trained in how to handle routine situations? Do they have sufficient understanding of employment law? Are they clear about their delegated authority and how to escalate matters when necessary? Does the organisation provide the necessary support and back-up in a prompt, timely manner – without the need to work through too many layers or procedures to get advice and decisions?

Reward

The Civil Service remains a vocation for a proportion of its better calibre entrants. Some could earn more if they chose to pursue a career in the city or in private industry. But is also naïve to assert that financial reward does not influence behaviour and cannot be used to promote reform. The approach followed should create a satisfactory balance between the expectations of the organisation and its employees:



The main reward for most civil servants is promotion. So that is what they look for. No-one wishes to stick in one job for long – even if continuity could be a major requirement. So many ‘flit’ quickly from position to position – barely taking the time to become competent in one post before moving on. The system promotes this behaviour, which is particularly damaging when project teams and contract managers constantly change and no-one has an incentive to see things through to the end.

But there are tools available, particularly for recognising the contribution of Senior Civil Servants (SCS), which could reduce this behaviour and encourage a willingness to stick with a specific job for however long it takes.

And reward should also be targeted towards those who make a substantial contribution in difficult circumstances, not just act competently in routine matters.

Some options for managing reward for senior people

- Make full use of the flexibility given by the Cabinet Office Guidelines to allow Job Evaluation for Senior Posts (JESP) to reflect the contribution made by key specialists over the life of a long-term project. So improve their salaries – within the limits of the Cabinet Office Referral Point and beyond if necessary. The flexibility available is already used to bring in skilled senior managers from outside the Civil Service, but could and should be more heavily used to recruit and keep people with technical skills and to encourage key people to stay longer in particular posts.
- Apply the variable pay or bonus scheme in a more targeted way to reward exceptional efforts in difficult circumstances. It is particularly hard, when pursuing efficiency, to ‘look colleagues in the eye’ and tell them they are to be displaced. Some might say that it is just part of the job, but there is equally a case for some form of recognition for such work, particularly if it goes on for some time and there is no other form of advancement.
- Consciously and conspicuously promote managers who realise difficult assignments into favoured posts. In practice, the opposite often occurs: a manager responsible for tough and possibly unpopular tasks then has difficulty finding the next position and is certainly unlikely to be promoted.
- Have fewer grades but wider salary bands to give scope to increase salary in recognition of good performance with no change in post. The current grade structure in many departments, combined with the tendency to have someone on every grade in the hierarchy, creates too many layers and reinforces the desire to move on quickly.
- If a revision to the grading structure is not possible in the short term, consider moving a manager up to a higher grade while still in the same position. Jobs and grades are often linked too rigidly. There can be a good justification for promoting a person who is still filling a particular post. As the assignment evolves and his or her competence grows, he or she requires less supervision and can accept greater delegated authority. Clearly this would have to be well controlled to avoid over-use.
- Make more targeted use of the smaller bonus schemes for those in lower grades to reward exceptional effort not just competent performance.

A really effective variable pay or bonus regime would require more flexible use of the 'pot' of money than is allowed under present arrangements. Currently those more junior managers in most departments can earn a maximum annual bonus of no more than 4%. The limit even for SCS is normally 9%.

To change behaviour significantly, much more than this is needed – albeit without going to excessive amounts that can distort behaviour and lead to a loss of balance. Larger bonuses (possibly 25% of salary) for exceptional performance in difficult circumstances have been shown to provide the necessary motivation in the private sector – particularly when linked arithmetically to measures of cost. That is not normally permitted under current rules in the public sector, but should be considered when conditions allow.

Managing reductions in staffing

One of the greatest constraints on change perceived by managers in the Civil Service is the apparent difficulty in reducing staffing in a given location or unit. Even adjustments to the mix of staff are problematical. In some cases, this can stem from rigid budgetary controls that require even simple changes in local manpower to be 'approved' by senior managers and HR executives. It becomes a major decision to make the sort of simple adjustments through natural wastage and turnover that private sector unit managers would be expected and encouraged to exploit. So opportunities for modest gains in productivity are lost. Many local line managers are totally frustrated by their lack of empowerment to adjust staffing – within budgetary limits and without breaching grading conventions – to create a more effective organisation.

More significantly, there is a lack of confidence (and ability and know how) in many parts of Central Government to tackle major change. Few civil servants have had experience of handling or even observing major reductions in manpower, so natural fears tend to prevail. Yet this need not be the case if the appropriate guidance and support are provided.

Cabinet Office policies and protocols have been agreed with the major trade unions. They provide a framework for action and guidance on HR matters, including redeployment and redundancies. Such changes have to be managed carefully and sensitively in fairness to the people concerned. But, if followed correctly, the processes do offer a route forward. It need not be through redundancies. Particularly when change is gradual and phased, compulsory redundancy can often be avoided.

Cabinet Office protocols: The Efficiency and Relocation Support Programme

There are two main protocols. Both were agreed between the Cabinet Office and the Council of Civil Service Unions (CCSU) and took effect from April 2008. They include provisions for handling surplus staff, particularly if large numbers are affected:

- They apply to 'all pre-compulsory redundancy notice situations'.
- 'Best endeavours' should be used to avoid compulsory redundancy for those who want to continue their Civil Service careers.
- If the review could lead to transfers of personnel, there should be full and open discussion with a view to agreeing on how the consequences of the transfer for employees will be managed.
- The Cabinet Office is to be informed of numbers, grades, locations and timing of surpluses a) as soon as they are forecast, b) when confirmed and c) as plans develop.
- Informal consultation with trade unions should begin before 'formal meaningful consultation'.
- The duration of 'formal meaningful consultation' is normally 90 days, irrespective of the number of employees affected, although the period can be varied by agreement.
- Six weeks before any planned redundancy notices are issued, a 'period of reflection' meeting must take place between the Cabinet Office, senior members of the relevant department, and departmental and national representatives of trade unions.
- Two weeks before any redundancy notices are issued the Cabinet Office must be notified.
- An equality impact assessment of the proposals must be carried out.
- Various measures are to be explored before compulsory redundancy is considered:
 - review the use of temporary, agency and contract workers
 - freeze recruitment to promote re-deployment
 - consider re-deployment. In some projects in the public sector significant redundancies have been avoided by the active promotion of opportunities for re-deployment
 - the effect of natural turnover (attrition)
 - voluntary exit schemes – flexible early retirement or severance
 - protection of terms and conditions of service.

Compulsory redundancy can be expensive, disruptive and time-consuming. It carries risks if not managed well. So it should be avoided if a better option is available. Private companies have learnt that gradual change through natural wastage and turnover is preferable to storing up problems and having to make a step change. There are also examples of very effective, well managed re-deployment exercises that achieve significant reductions in numbers in particular units. But re-deployment has its limits.

Voluntary severance and early retirement schemes are often seen as the easy option, but they can be even more expensive than compulsory redundancy – particularly when the terms prove attractive to the long-service staff that enjoy the most generous ‘packages’. Voluntary severance (and to a lesser extent attrition and natural wastage) can also leave the organisation with employees with the wrong or inadequate skills and in the wrong places. So it often has to be done in conjunction with re-deployment to achieve a balanced outcome – which adds further cost and complexity.

Good long-term manpower planning can greatly facilitate gradual change. When requirements and expected natural changes (such as imminent retirements) are understood, immediate recruitment and movements of people can be managed in ways that make the next steps easier to handle. The decision on the best way to handle such situations must be based on cost and on the retention of skills, qualifications and experience. The established protocols work best when the reductions are small-scale. It is nearly always easier to make change gradually – exploiting natural wastage, movement and turnover, if possible – than to wait until large scale re-deployment or redundancies cannot be avoided. Some 40,000 people leave the Civil Service each year. Many are short service, junior employees, but the leavers also include middle and senior managers leaving for reasons – such as retirement – that are predictable. The potential is there to plan how best to exploit the flexibility created by such departures.

Communicating organisational change

- The communication of proposed changes should be consistent, and coordinated, internally and externally.
- Internal audiences include: employees directly or indirectly affected by the proposed changes; employees in other directorates who might become demotivated; managers of the affected employees; senior managers elsewhere in the organisation; and trade unions.

- External audiences include: Ministers; MPs; users of particular services; other Government departments; other local and national public sector authorities; and the local and national media.
- In any communication programme the key messages should include: why these reductions are necessary; the approach to be followed; numbers; timescales; and other options considered.

The relevant HR team is vital for success. It should lead the discussions with the trade unions, be involved in collective and individual consultation, and provide practical support to the re-deployment process.

13 Costs and processes

“It requires a very unusual mind to undertake the analysis of the obvious.”

Alfred North Whitehead

Nearly every reforming initiative should aim to constrain costs and hence to boost value for money. But that often goes hand in hand with new investment – to rationalise processes, introduce modern technologies and serve customers in new and better ways. So reducing costs is not necessarily a specific task in itself. It should be an outcome of the various initiatives under way. However it is handled, a solid framework of measurement should be in place. This means – if at all possible – knowing the precise costs of functions, processes, services and any other activities before any action is taken.

People are the largest single cost for most organisations. To recognise that you have too many people is one thing. To do something about it is another. But how do you find out where resources are being used inefficiently and where too many people are doing the same thing?

Process activity analysis

Process activity analysis provides a powerful technique for reducing overhead costs. A systematic survey of key processes, activities and tasks, it quickly reveals overlapping activities, redundant effort, and work that offers little value to the organisation but that incurs high costs. It allows managers to make informed decisions when the scale of the changes dictates a more fundamental approach to reorganisation and makes job losses necessary. It constitutes an essential tool for restructuring the principal processes.

This approach shows how costs can be reduced without diminishing the overall performance of the organisation. It provides a plan for reducing the cost of the indirect staff. The initiative should gain the commitment of the managers accountable for those costs.

Process activity analysis confronts the problem directly. The benefits are threefold.

- 1 It is based on questioning and gathering data from the people in the organisation itself. In other words, the solution has the merits of being 'home grown'.
- 2 Most members of the project team are from within the organisation, which scotches the suspicion that it is being 'done over' by outsiders hired to eliminate jobs. Nevertheless, the approach is robust and is led by experienced practitioners.
- 3 The process has an excellent record as the most penetrating and least damaging way of reducing the staff. Trade unions will endorse the methodology, once persuaded of the managers' resolve to take action.

Process activity analysis interrogates the staff not only by managerial or functional allocation (department by department) but also, more importantly, by processes and activities. It asks 'What do people actually spend their time doing?' rather than 'Which department do they sit in?' We have found it revealing to examine costs as:

Core – providing the principal service

Support – needed to maintain the organisation

Improvement – required to change and improve the organisation.

Typically, support costs should be in the region of 20%; improvement activities no more than 5%; and 75% of overall effort concentrated on providing the core service.

The data are collated, tested and stored in a robust database. This provides for multi-dimensional analyses of different variables. The results often cause considerable surprise – giving managers a different perspective on operations and processes that they thought they understood well. This evidence informs decisions on how to reduce costs. It usually pays dividends to take considerable time to convince managers of the need to act.

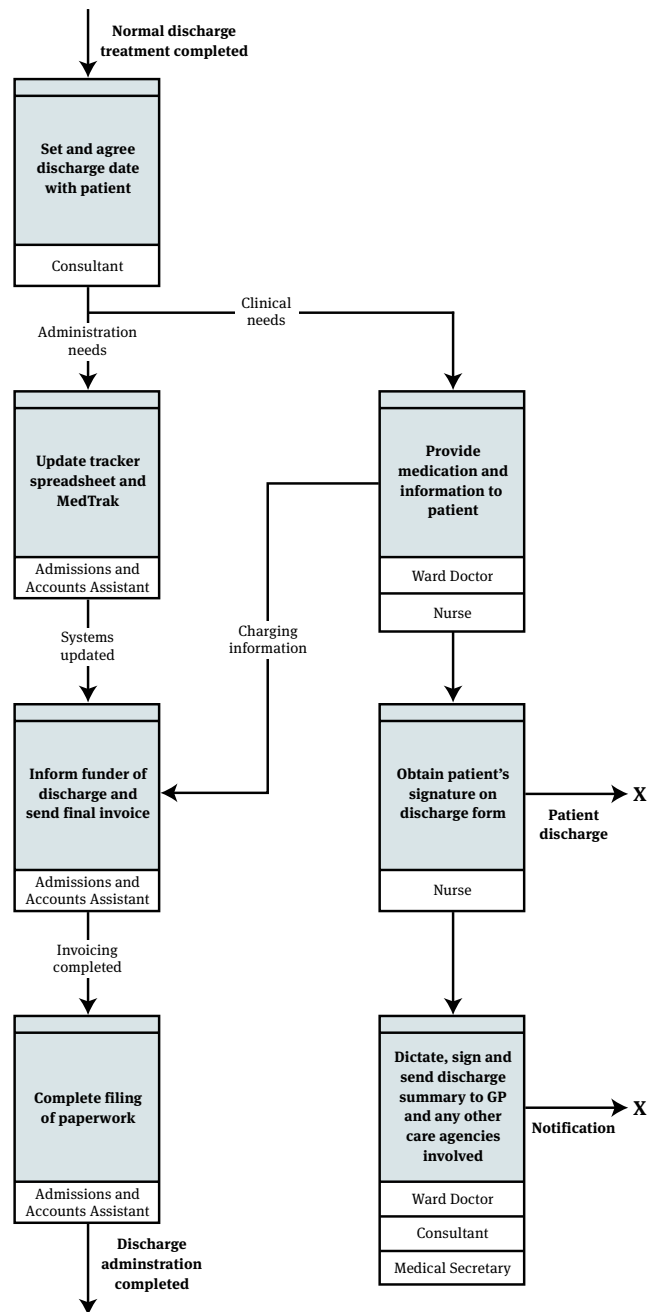
Analysing and mapping processes at the right depth

Many managers see process mapping as mundane and beneath them. It is true that it has to be done and documented painstakingly. As in many managerial tasks, the doing is as important as the output. The act of mapping

can open the analyst's eyes to the opportunities for improvement. Those who do the work that is being analysed are sometimes shocked to find so many activities that are inefficient and waste time. 'I assumed that x was dealing with that...' or 'Doesn't y make sure that's right?' are frequent responses.

However, such insights only come about if the analysis and mapping are in appropriate detail. It is tempting to analyse every bit of each procedure and process in great depth, without considering their relative importance or frequency. This kind of problem arises when changes to IT systems are afoot, and all the users wish to have everything they handle suitably automated. Not only does this make the processes much more complex, it also diminishes flexibility to a point at which even minor changes in inputs and outputs cannot be accommodated without major upheaval.

Sample process map



The solution is to prioritise the processes to be mapped and to decide how deeply to document them. Analysis will reveal nothing if it is too shallow. But it will bury any revelations in unmanageable detail if it is too deep. If in doubt, it is better to do the shallower analysis first, and then to use this to find the critical points at which to dig more deeply.

The use of proprietary software will help all those involved to become familiar with a single set of protocols and their outputs. These systems can be used flexibly, as the users choose. Inefficiencies and rework can be presented in a simple model showing the flows and losses at various points.

The quality of that presentation is important, because visualisation can influence judgement. A long-serving technique known as 'brown-papering' emphasises this well. In this, all the documents and reports being analysed are attached to a single piece (usually a roll) of brown paper with arrows and lines showing the links and relationships between documents and data. This is then usually displayed around a single room or across a floor – with dramatic impact. It shows complexity, repetition, errors and rework in a way that a single sheet of paper does not.

Opportunities for improvement

It is tempting to initiate a process-mapping investigation with a team of 'experts' or, at least, outsiders. But the managers and staff who have run the system for years may well feel defensive when asked why the problems have been allowed to fester, aggrieved that their opinions are not valued, and fearful that a new method will be imposed. We have found that a mix of those who do the work and the analysts provides the best chance of success. It is essential to provide suitable training for the whole team to help build rapport and trust, and to assure a consistent approach.

How the project is set up makes a big difference to the sustainability of the change. It helps if the people who work with the processes are enthusiastic about the outcome and fully appreciate the chance to improve. Involving them closely in the investigations and design will help them to see the potential benefits. The commitment of the staff and managers who have been included in such a way is often remarkable.

Do it right first time

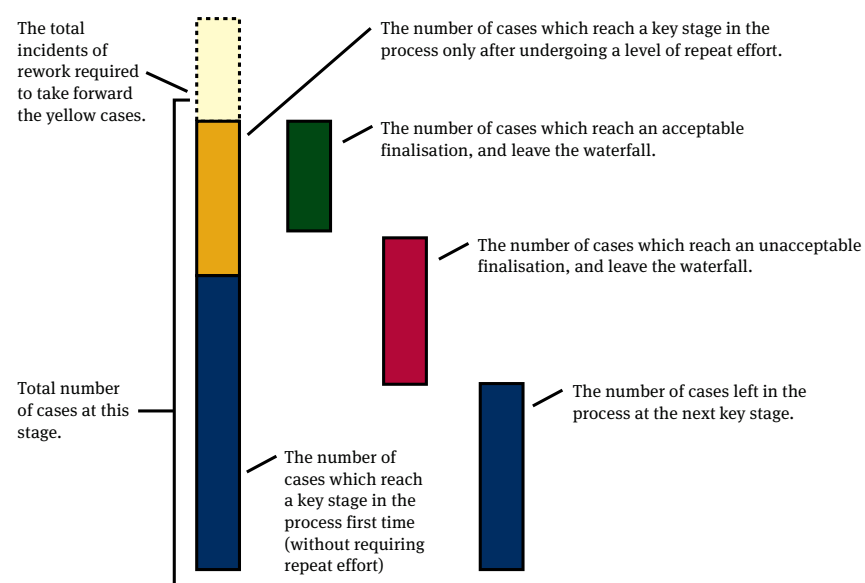
Some departments handle very large volumes of routine processing – application forms, tax returns etc. Even in the most efficient processes, there is usually some proportion of rework. In some situations, it is alarmingly high: costs increase and output declines. The reasons for repeated work should be understood and challenged. The objective must be to reduce and, where at all possible, to eliminate the need to repeat part or all of a process.

It is often hard to ‘see’ the amount of rework hidden in a process, especially when the work crosses organisational boundaries. In particular, the increased effort needed to manage the handover from one unit to another usually merits close investigation.

The ‘Waterfall’ tool has been used successfully on a number of projects in the Ministry of Justice. It allows each step in a process to be modelled in a highly visual form, aiding the understanding of complex, multi-boundary tasks. A form of ‘attrition analysis’ reveals where each step occurs, and its impact. It indicates the proportion of acceptable and unacceptable outcomes and shows where excessive rework is being done. The visual representation of results challenges managers to assess performance from a value-for-money perspective.

Eliminating repeat work and unnecessary bottlenecks can have a dramatic effect on the application of resources and overall efficiency – although this must always be done with care. It is often the case that an improvement in one process can affect the total system adversely. This is a key challenge for the public sector, as cross-departmental or agency processes are commonplace.

Visualising key stages in a process

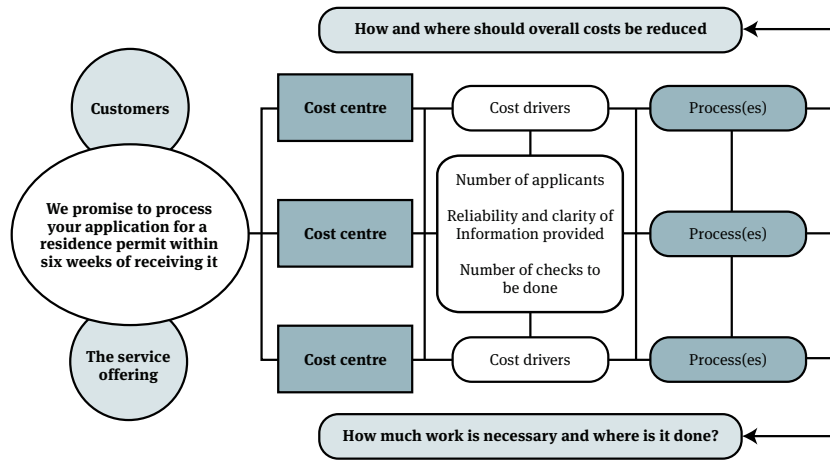


Appraisal of work content

This allows managers to build up a cost model from first principles. It is sometimes known as ‘zero-based budgeting’. It contrasts markedly with the traditional approach in the Civil Service, where managers often try to ‘grow’ budgets year-on-year by accretion.

An accurate evaluation has to be made of what work needs to be done in a defined period: how this is broken down into different tasks; how long each task should take; what allowances should be built in for supervision, management, training, absence etc; what support functions are necessary (HR, Finance, Purchasing) and what their cost will be. A useful starting point is a map outlining how ‘customers’ (either the public or internal ‘customers’) are served, what separate cost centres are involved, what the main drivers of costs are, and the key processes.

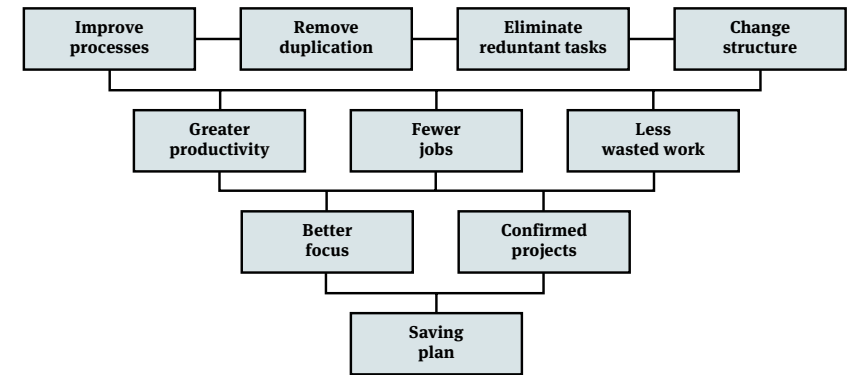
Mapping the influences on costs:



This should provide a robust model to find out the best size and shape of the organisation and hence its cost. However, it relies heavily on managers describing precisely what work needs to be done and how much effort is necessary to do it. There is a real risk that the very inefficiencies and duplication that should be revealed and eliminated in order to reduce costs might be actually endorsed and fixed in the revised structure. This is particularly the case when the work is complex, with few repetitive transactions and no directly relevant comparators. Judgements tend to be made on subjective criteria rather than on objective reasoning.

The model of costs can be compared with the actual costs, but this does not necessarily reveal where and how savings should be made. The review should encompass core processes, procurement, overheads, technology and employment practices. Most improvements are likely to accrue from a small number of critical sources.

A simplified approach includes these steps:



Redesigning processes

Everyone knows that lots of organisations get their basic ways of working wrong. They are inefficient, inaccurate, expensive to administer, and badly managed and controlled. What is to be done? Well, just overhaul and redesign these processes, build them into a suitable structure, and Bingo! A new and vibrant organisation will emerge. Or so it goes.

In practice, 'Business Process Engineering' often worked best after a crisis had struck. Organisations often show the greatest willingness to change and do things differently when faced with financial disaster. In times of dire trouble it is always easier to get the managers' and staff's acceptance of and commitment to change. Because the alternative is so dire, drastic change can be rushed through. There are numerous examples of the Civil Service responding well to a crisis and demonstrating a real 'can do attitude' to get things done – whether it be a civil or even military emergency.

But the way such action is managed is not always followed up by a coherent review of what led to the crisis, how it might be avoided and what processes need to be put in place to handle the situation efficiently from now on. These tend to be much less exciting and high-profile tasks, but they are essential for long-term effectiveness.

A fresh start

A new unit, created from scratch, can have a number of advantages – new ideas, products, processes and IT, lean overheads, and – perhaps best of all – a willingness to consider what used to be unthinkable. But what it lacks are relationships, experience of the task, and a record that can be trusted.

What does this say about the status quo? If the organisation is successful, everyone may be loath to rock the boat. If it works, why mend it? But processes age quickly. Technology and IT get better and cheaper.

Delaying a decision to act usually causes more problems than it solves

It does not make sense to wait until change is imposed by external events or political expediency. Radical changes to the whole system that have been put off for too long may be rushed through, raising costs, alienating the public, creating backlogs – and ending in crisis. There are several examples of this in major departments, often involving the installation of new information technology systems. Costs have escalated and the service to the public declined. A planned programme of improvement – with related investment – is much more likely to achieve successful results.

It is far better to get the staff to work out, with specialists, what the processes could be like if the unit were created afresh. Properly handled, there is little risk for employees. It is ‘blue-sky’ thinking. But the investigations and dialogue can throw up ideas on how to achieve much of the benefit through evolution with limited disruption. An organisation with various sites, products, and customers can pilot new processes without ‘betting the bank’. Even when such experiments do not work perfectly, they raise the willingness to experiment, and offer the chance to learn from mistakes.

Particularly in ‘back-office’ activities, much of this can be done out of view of the public and with little financial risk. Trying out new processes in a small way before applying them generally can achieve as much as barnstorming initiatives to re-engineer that take more time, consume more resources and run more risk.

Part IV: Essential tools and capabilities

“There is nothing more difficult to take in hand, more perilous to conduct, or more uncertain in its success, than to take the lead in the introduction of a new order of things.”

Niccolo Machiavelli

14 Procurement and outsourcing

Once upon a time the employees of Government departments – like most organisations, private and public – handled the vast majority of routine processes, transactions and activities themselves. Supplies – from stationery to military equipment – were purchased from private manufacturers but, until comparatively recently, most continuing work was dealt with largely by the Civil Service itself.

The Ibbs Report that launched the Next Steps programme of the 1980s brought about the devolution of much more activity to semi-autonomous ‘agencies’ charged with enhancing the provision of front-line services. These were new organisations that could evolve into stand-alone – even privately-run – enterprises managed largely at ‘arm’s-length’. The initiative also led to much greater involvement by the private sector in the provision of specific services – some of them quite extensive in their scope and often encompassing the provision of direct services to the public as well as ‘back-office’ support. Almost anything will now be considered for ‘outsourcing’.

So Central Government must now manage an extensive and multi-layered ‘supply chain’ of organisations that provide key elements of its main responsibilities. Benefits have accrued from the introduction of greater flexibility, access to new technology and investment, and the application of what are seen to be more productive techniques and ways of working. But for the taxpayer to reap the benefit of these changes, new skills are also required in procurement and contract management to make sure that the full potential is realised and that the services offered by all the new supply chain partners give enhanced value-for-money.

Outsourcing – a boon or a bind?

From time to time there is a need to take stock, to prompt an examination of the overall business model of each department or unit to determine whether outsourcing is giving the benefits expected and how much further it should be extended. There is a need to ask:

- What are the essential capabilities that must always be kept in house?
- How does the public expect to be served?
- Where should we draw the boundaries between internal and external activities?
- Which services or activities would it be better to procure externally?
- What skills are required for providing a service? Do we possess them? Do potential suppliers have them?
- Would an external provider be able to do better?
- What are the risks of an extended supply chain?
- Is a partnership or an alliance a sensible approach?
- Do we have the skills to procure effectively and to manage long-term contracts tightly?

The answers determine the shape of the organisation and where initial activity should be focused – on improving internal operations or finding external partners. They will prompt questions on structure, capability and location. Where should tasks be done and by whom? Or – how can the performance of the current model be enhanced?

How do we compare our own and a supplier's effectiveness?

It is tempting to see outsourcing as a solution to seemingly intractable problems. When you walk around an operational unit, what do you see?

A hive of activity? Numbers of people in huddles? Notice boards full of graphs and exhortations? People and processes set ready to work? Lots of technical paperwork? An exciting sense of crises being resolved? Or: Files piled up in abundance? Queues of people waiting to be seen? An atmosphere of confusion and despair? Is it possible to know how well it is really going? Or how to improve it?

If we despair of making improvements ourselves, will potential suppliers give us the confidence that they can do better? Outsourcing and sub-contracting

have become something of a panacea. 'Our own organisation does not do it well, but there must be someone out there who can do it better!' And that may be true. But it does not follow that that is the best decision. The public sector has a service ethos that is highly valued by the public and should not be discarded too quickly. Good external providers can also give excellent service, but their targets have to be defined more rigidly when they are operating under commercial arrangements.

Controlling the supply chain

So, once appointed, do new 'partners' consistently meet targets and maintain standards, or do their costs rise steadily while we appear to be able to do little to restrain them? How good is the procurement function at setting up fair but tightly drawn contracts that will control costs and standards? And how good are our project managers at monitoring performance against these contracts and intervening promptly when necessary? Do our line managers constantly revise and add to their requirements, so placing the organisation at the mercy of the provider, who can demand and obtain significant additional revenue by providing these 'extras'?

The monitoring of performance has to be done in a practical and transparent way. Complex reporting lets suppliers hide basic inadequacies. Reports on service can wrongly highlight the provider's perspective, not the department's or the public's. Unit costs and data on service standards can be selective and reflect only the mix of products at the point of study: an overall assessment is needed to check that the results presented reflect actual practice. So senior procurement and contract managers need to have the experience, skills and knowledge of the outcomes desired in order to know what really matters and what needs to be measured.

Outsourcing is a decision that can take years to reverse. When a large contract is awarded for a continuing service or a major project, it often has a lifespan of several years. Once essential skills are lost to the internal organisation, the option of ever bringing work back in-house becomes impractical. So decisions and management need to be right first time. Senior civil servants need to have absolute trust in those making the key recommendations and decisions.

Procurement and contract management are not always 'nice' jobs. Negotiation with potential suppliers and tight management of contracts

inherently require a willingness to challenge robustly and deal openly and firmly with conflict – not characteristics normally found in the Civil Service. They require specialist training and experience that can take many years to acquire, so they are not functions into which members of staff can easily move for short assignments – other than at the most junior levels. Senior buyers are valued highly in private industry. Exceptional specialists can influence a huge proportion of the cost base of an organisation, and their role is therefore seen as being so vital that they can command salaries in line with directors. Central Government also now relies heavily on specialist procurers and contract managers – particularly in the technical fields such as IT – to control the expenditure of many millions of pounds on projects vital for the future of the organisation, yet they are rarely rewarded sufficiently to attract and retain people of the calibre required.

It is not enough to rely on large numbers of middle-ranking managers. Large teams of buyers will continually move around and so lose focus and accountability. Files get passed on and no-one takes continuous ownership. One good manager, suitably empowered, who knows her/his subject thoroughly, stays with a project from the beginning to the end and can always ask the right questions without fear is worth many lesser people. But does the Civil Service encourage that continuity, consistency and application?

More than 50% of the expenditure of the Ministry of Defence is on purchases, yet the Office of Government Commerce (OGC) in its Tranche five report on military procurement continues to highlight that

- ‘The wider commercial function is underempowered’.
- ‘Leadership throughout the function is variable’.
- ‘There are a few exceptional individuals, but the overall procurement staff lack the broad commercial skills essential for the future’.
- ‘Too many do low value tactical work’.
- There is a lack of reward for procurement qualifications so that ‘there is a pattern of ... the better staff leaving for higher paid jobs’.

However the OGC did commend the appointment of a Defence Commercial Director to head procurement, even if he is not on the Board of the MOD. They saw this appointment as a good start towards creating a suitably qualified and recognised commercial/procurement function and set a demanding timetable to resolve the weaknesses observed.

15 Managing programmes

“We must give lengthy deliberation to what has to be decided once and for all.”

Publius Syrus (~100 BC)

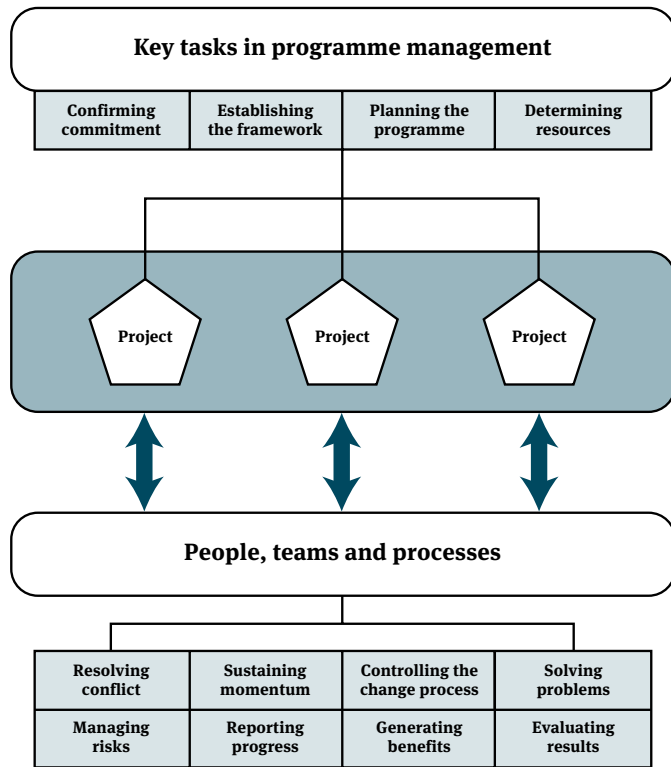
Good management of programmes and projects is a necessity for successful restructuring. PRINCE2 provides a logical set of procedures and checks for controlling complex programmes, but should not be applied in a mechanical manner. There is no substitute for skilled and experienced managers to provide the judgement on what needs to be probed and challenged. So it is sensible to use PRINCE2 but to apply it pragmatically and selectively, with appropriate emphasis on the elements that need attention to make a particular programme or project succeed. There is little point in producing lengthy reports or holding unnecessary meetings with senior managers to review aspects that are going well and contain few risks. Time and effort should always be devoted to the more problematic aspects.

When a lot of change is expected, particularly in the short term, it is advisable to appoint one or more experienced project managers. If there are several projects to be integrated, a senior programme manager should oversee them all. It is feasible for the senior line manager who is acting as Senior Responsible Officer (SRO) to have this accountability, but that will depend on the strength of the managerial team and the nature of the proposed changes. It is usually better to appoint a full-time programme manager able to dedicate the necessary time to coordinating the various streams of work. This person should do more than manage a specific series of projects in a detached manner. She or he should have a sound understanding of how the whole programme will affect the organisation, bring about a sustained improvement in performance and reduce costs.

The programme manager should:

- know the organisation well and understand its culture
- have good interpersonal skills and the credibility to be able to intervene quickly when the situation demands
- be strongly motivated by achieving results, and
- be known as somebody who gets things done.

A framework for programme management is illustrated in the diagram:



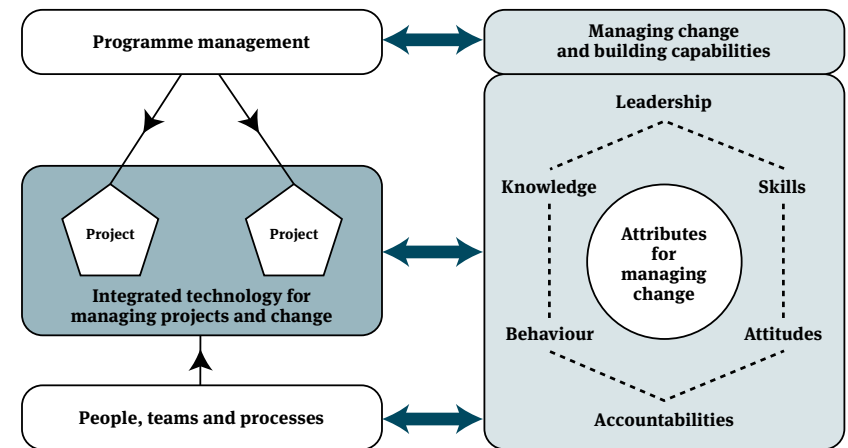
The main tasks of a programme manager should be:

- to confirm the overall plan for change
- to plan the total programme, organise the staff and provide appropriate training and briefing
- to establish and own the processes for managing projects and restructuring
- to control communication so that consistent and positive messages reach all parts of the organisation through formal and informal channels
- to coordinate and facilitate change in close liaison with the senior line manager responsible for the programme and its success
- to monitor the close integration of the change programme with the plans for the organisation – and consequently
- to assess the risks of taking action so as not to jeopardise projected performance. This inevitably entails balancing pragmatic short-term action with the longer-term plans for change.

It is also important:

- to apply rigorous control to project management, so that projects do not pass ‘gates’ without approval from a lead body, such as a steering group
- to facilitate the adequate staffing of project teams by getting senior managers to release their full-time or part-time members from other work
- to conduct formal reviews of progress at agreed intervals and provide the lead body with suitable progress reports
- to review the processes of project management, promote their adoption as good practice throughout the body and create mechanisms to assess how well they support the aims of the programme
- to establish, with line managers, resources, processes, values and attitudes that will sustain the outcomes of projects
- to create and manage a process for the formal evaluation of each project and the overall change programme.

The formal processes of project management need to be supplemented by a behavioural framework of change management, which focuses on the development of new knowledge, skills and attitudes. Programme managers need to instil the ability to react more quickly and initiate tactical improvements without recourse to formal projects and external support. This is shown in the diagram below:



Formulating a vision and a plan

A vision of where the organisation will be, what it will look like and how it should behave should be derived from the case for change. This should be formulated in a series of short, unambiguous statements that set out clearly what has to be achieved and by when. A vision is no use without a route-map to it. This should set out the main business case and competitive reasoning that justify a programme or series of complementary programmes of major change.

Multiple programmes

Within a large organisation there can be not just many projects making up a coherent programme of initiatives but also many programmes running in parallel. The danger then is of conflicting priorities, excess demands on the organisation, and confusion. So all programmes must be subject to overall scrutiny and challenge to make sure they form a cohesive whole. This must be done by senior managers – ideally a committee of the Executive Board – who have enough knowledge of the costs, potential benefits and impact on the organisation of each programme. Most importantly they must have the courage to say ‘no’ to a new proposal or even to stop a project or a whole programme that is under way, when conflict emerges that is damaging and wasteful.

Organisation, culture and values

A programme of reform depends on a thorough appraisal of the organisation and its culture, people and history of change. What values, behaviour and structures – both formal and informal – maintain the culture? There are a number of techniques for assessing the culture and analysing or classifying the attitudes and beliefs of members of staff. But many can be somewhat theoretical and do not provide the guidance needed on how to promote reform. In order to reveal the practical aspects, a series of diagnostic tools can be used:

- to characterise the prevailing managerial style and to examine its strengths and weaknesses
- to recognise the nature and efficacy of the controls in the organisation
- to establish the efficiency of the formal structures and the informal networks

- to determine the resources available to promote change and any likely shortfalls, and
- to recognise the initial sources of commitment or resistance to change.

Understanding the culture

An ability to recognise quickly and precisely the influences and forces at work, and to respond to them, greatly enhances the chances of effective progress. Whatever the theoretical profile of the organisation, the practical requirement is to attract support and overcome resistance to change. But how much resistance is there? How great is the desire to do things differently and better? Usually, where reform is most needed, the latent desire for change can be stronger than it seems. It simply has to be brought to the surface.

Exposing underlying attitudes

It can be useful to conduct a ‘cultural’ audit at each unit or location and to review the results carefully before planning any major change. A series of short, questionnaire-based surveys may be used to provide a snap-shot of the organisation and its readiness for change. These are reinforced by structured interviews with selected managers. The results provide an objective benchmark against which to measure progress.

For example:

Cultural dimensions (extract from employees' questions)	Strongly agree	Agree	Neither agree nor disagree	Disagree	Strongly disagree
Top managers encourage and support new ideas	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
I am proud to work for this department	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
The pressures and difficulties of my job do not allow me to take pride in my work	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
It is easy in this department to admit to a mistake	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Creative people are given every encouragement	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
My manager is too busy to think creatively	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
I enjoy my work	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
There is a good spirit in this organisation	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>

Confidential voting equipment

A second way of exposing the true views and frustrations of the people in a unit is to hold a series of workshop sessions using confidential voting equipment. It tests their responses to the sort of probing questions that members of staff rarely wish to answer publicly in front of their peers or superiors. The private opinions that they express in such a safe situation on how the organisation should or should not tackle long-standing problems, concerns and disciplinary matters can be very stark. They are often surprisingly critical of colleagues who have not been held sufficiently accountable for failure.

Such tools must be used sparingly. They raise expectations that subsequent actions will be swift and decisive. If they are not, the confidence that the workforce places in its managers is lost. And it is not easily regained. Unless adequate time is built into plans to surmount these hurdles systematically, the costs of major restructuring will increase and the benefits will be realised much more slowly than expected.

Establishing a compelling argument

All organisations are subject to constant, minor change. But for major change a clear, compelling business case must be made and proven. It should marshal quantitative and qualitative arguments to generate a sense of urgency in senior managers. The new objectives that result will support the development of a fresh vision and plan for the organisation. Managers are most committed to ambitious programmes of change for which they have analysed and defined the need.

Building the team and supporting infrastructure

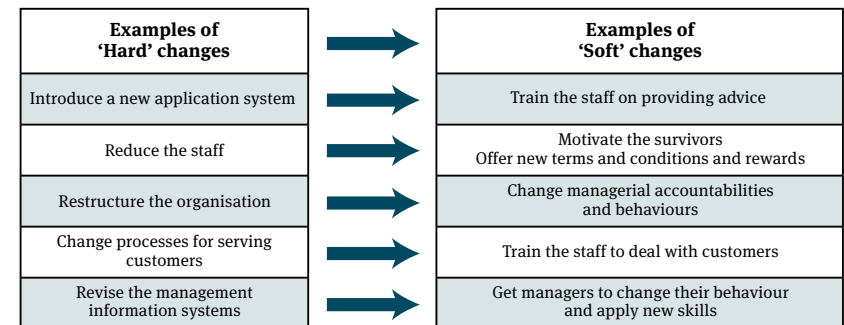
The infrastructure for managing change should be defined to meet the circumstances of each case. Led by a programme manager, it should balance the influence of a steering group (representing the sponsor), the managers and staff from the units themselves, the project teams and the specialist advisers.

The project teams should be the principal agents of change. They should comprise people with a mix of technical abilities and personal styles, not necessarily all senior, but respected by their peers, and not outsiders. The

organisation needs ‘movers and shakers’ whose commitment is not in doubt, tempered with a few known cynics. Many organisations use project teams as a valuable testing ground for managers. Champions can instil a sense of urgency and a spirit of ‘can do’. They should be found at an early stage, trained, when appropriate, and used to promote the messages for change and to cascade the programme throughout the organisation.

Planning for change

Provided that they are managed in parallel, a rigorous programme for managing change will complement a comprehensive project plan that integrates hard and soft elements. This is illustrated below:



Communication and consultation

A carefully drafted plan for communication should be an integral part of every programme of change. This should be a two-way process. It is vital to elicit opinions and to listen to employees’ fears and concerns. It is useless to foist information on an audience that might not want to listen. At different stages, managers should check the employees’ reaction to change, and their commitment to the new working practices. This can be achieved through paper or web-based surveys, focus groups and/or structured and semi-structured interviews. A continuous stream of informed responses makes it possible to refine and adapt the change programme to enhance its prospects of success.

Communication is a sophisticated process. Its planning must match its execution. The key messages should be in line with the published plan, consistent, honest, and reiterated. It is vital to set up and manage

communication between different change teams, as well as with programme managers and employees.

Checklist for managing communication

- Confirm personal responsibility for communication
- Convey consistent, simple, accurate and timely messages
- Meet the managers and staff quickly
- Make the 'business as usual' message heard and understood
- Communicate effectively with employees and meet as many as possible
- Conduct a survey of employees' opinions
- Consider organising a management conference
- Counter false rumours quickly and effectively
- Obtain candid comment on the provision/content of communications and respond accordingly
- Use formal and informal channels

Managerial competences

Every manager should be able to manage change. But some do it better than others. The culture provides the framework for honing skills. But a major project offers the chance to assess gaps and add competences. This is horses for courses. Depending on the circumstances, a manager may have to show the ability to lead, to negotiate political minefields, to build teams, to use a range of analytical techniques, or to meet testing circumstances with energy and commitment.

Putting the new structure in place

This can be set up, in stages if necessary, when each of the previous steps has been taken. The project plan will determine, for each package of work, what it will cover, how long it will take, how it should fit in with other work, and who is responsible for doing it. Its components might be:

- a new organisational chart with revised managerial accountabilities and staffing
- flow-charts to show the key processes and sub-processes

- a description of the impact of changes in the structure and processes on relationships with customers and/or suppliers and with any other parties affected
- a description of the main effect of the changes on employees, including any necessary changes to working practices, terms and conditions of employment and reward
- an assessment of the principal risks in the proposed change and the actions necessary to mitigate them
- a summary of the expected benefits and when they should be realised.

Achieving early results

Success breeds success. So it is useful to make tangible gains early on in the programme. This reinforces the commitment of all, wins over the doubters and keeps the approval of the sponsors. The opportunity for quick wins should be built into the project plan – so they should not be unexpected. They should provide mechanisms for testing new ways of working that provide the confidence that larger initiatives in the pipeline can be realised satisfactorily. Early success should be celebrated and communicated widely throughout the organisation.

Monitoring and review

Every significant programme of change should have formal processes for monitoring and review. These should be an integral part of the project plan. They keep the programme on schedule to provide benefits when planned. They record data and experiences that can contribute to the success of future initiatives.

Managing people who are displaced

Re-deployment and – if necessary – redundancies should be handled fairly. This fulfils legal requirements and moral commitments to loyal employees. It helps to protect a reputation as a caring employer. And it sends a signal to the survivors – on whom the organisation now relies heavily – that everything is being done to help the redundant employees through a difficult time. This is most important. Insensitivity can colour the views even of people not directly affected by it.

16 Measuring performance – controls and reporting

Benchmarking

“We both married above ourselves. We both have trouble with the English language. We both have big biceps...well, two out of three ain't bad.”

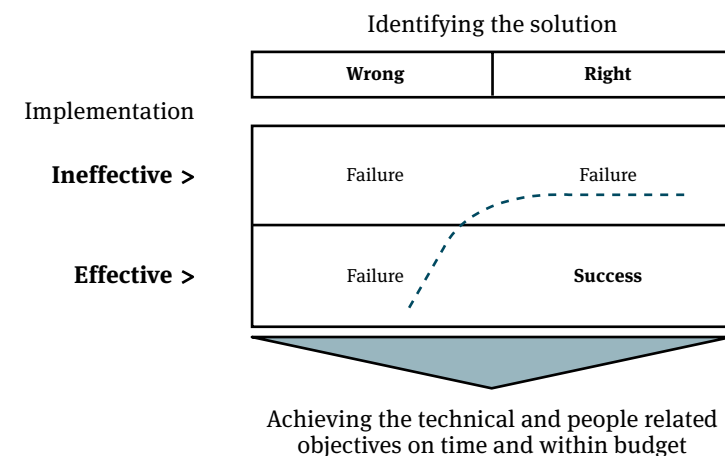
George W. Bush comparing himself with Arnold Schwarzenegger

Effective controls and reporting underpin every successful organisation – they should be a cornerstone of any major improvement programme. The tests of any initiative are:

- Did it do the right thing?
- Was it done effectively?

It is all too easy to say yes to one. But are both the dynamics of change right? And how should they be assessed?

The dynamics of change



Metrics are ways of evaluating performance, often in the form of ratios and indices that link two or more variables, with an accepted scale or unit of measure.

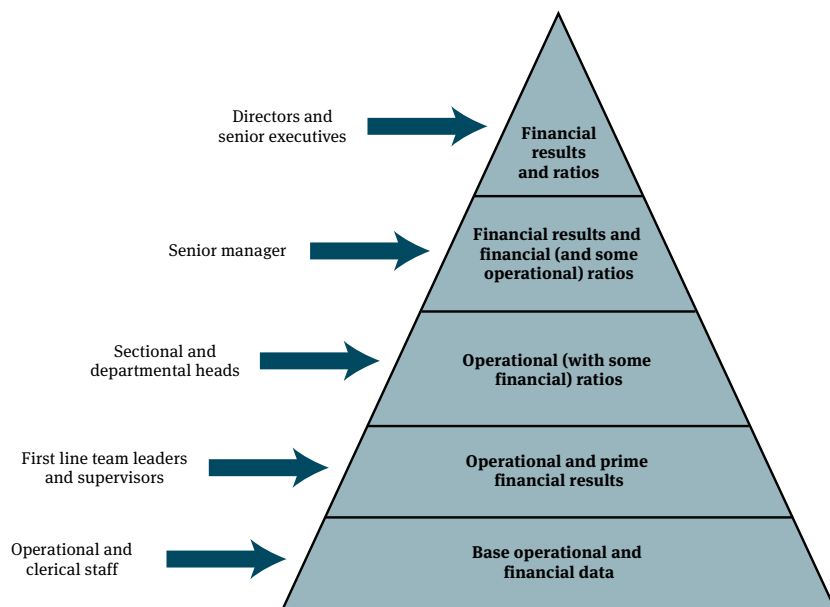
Controls are the reports, and other means, that are used to communicate performance to managers in a way that allows them to take action.

The flow from measurement to action is:

Metrics » controls » analysis » diagnosis » action

The sequence must fit together to achieve the goals of the organisation. First, set a few clear aims to boost performance, each one linked to the results of the whole organisation. The fact that the relevant data may be difficult to collect should not be a deterrent. Each of these objectives should show in some way whether or not the organisation is winning (or losing!) This simple expedient results in a limited number of ‘decisive performance indicators’. They are decisive because they should be all that is needed to direct the activity.

There should be a hierarchy of measures, so that the ones at operational level tie in with those that monitor policy and financial performance. This is illustrated in the diagram:



Too many KPIs?

It is easy to be overwhelmed by the plethora of targets, key performance indicators, indices and variances. So many managers find themselves juggling their activity to meet different measures – some of which can be pulling in different directions. This is made more perilous by the perception that many may change in importance on each reporting occasion. It also creates the temptation to focus each month mainly on those that are favourable – not on the most important overall.

Performance is measured because ‘what gets measured gets done!’ But the temptation is to consider what is easily measured, not what needs measuring. There are some useful tests of the quality of a reporting regime:

- How relevant are the measures to the overall performance of the organisation?
- Do managers have adequate control over the performance of the activity on which they are held accountable?
- Are there just enough measures or are there too many?
- Are the data on which performance is reported robust – that is consistent, appropriate, economic to collect and auditable?
- Is the reporting timely (both in-time and on-time) so that corrective action can be taken?

Benchmarking – opportunities and risks

Benchmarking has sometimes been seen as the solution to many of the problems of target setting.

“We know that performance is inadequate, but no-one believes us! So if we find a credible external comparator, we should be able to convince those whose job it is to get results!”

Comparing performance can have benefits. But the functions and processes chosen need to be similar enough for comparison to be seen as fair. The benefits of benchmarking appear as much in the doing as in the end results. No organisations are identical, but elements – processes, sectors served, products, transactions, services, capital employed, headcount, and space, for example – can be directly compared, provided that access can be obtained to reasonable data through desk research, cooperation, benchmarking clubs or synthesis.

But this may just result in the organisation's striving to catch up while others forge ahead. This very attitude – 'the follower' – can mean the adoption of ideas, innovation, strategies and plans that are not appropriate or foster a 'me too' philosophy with a loss of individuality and innovation. Ideas copied and applied without due consideration for local circumstances can be disruptive and damaging.

Collection and analysis of data

Computer systems appear to provide the panacea for most, if not all, of the ills of data-collection and analysis. But the data obtained for a specific purpose, though readily available, may yet be totally inappropriate. New processes for collecting and analysing data may be needed for a specific index or measure. So carefully controlled sampling might be a much better option. This is particularly helpful when a new performance index has to be set up quickly and there is no time for reprogramming, testing and debugging. The statistical validity of a sample needs to be tested, but is frequently higher than would be expected.

For data to be effective, the people collecting and analysing them should:

- explicitly define each element and formula so that those who use the data do not spend unfruitful time in disputes about definitions – a data dictionary is valuable
- make innovative use of the current ways of collecting data, without duplication
- avoid clerical work and manual recording, wherever possible. Exploit relevant data that are already being collected
- assure integrity and automatic validation (it is not possible to 'inspect' quality into the process!)
- collect and report on time.

Balanced scorecards

The use of a 'balanced scorecard' is an effective way of avoiding the trap of focusing excessively on particular aspects of an operation or activity. Even in the private sector, where 'profit' is usually seen as the main aim, businesses have found a need to balance trade-offs between factors that boost profit in the short-term and those such as quality that preserve credibility and reputation and so support the longer-term plan.

In the public sector this balance between differing objectives is probably even more difficult to maintain. Political and media pressure often forces a short-term focus on a very narrow part of the range of objectives. The agenda then changes and criticism switches to other, possibly competing, requirements. So it is important to maintain a wider perspective through a mix of performance measures that help managers to understand and manage the 'trade-offs' effectively – particularly those aspects, such as control, that are too easy to set aside in times of crisis.

The challenge in reporting a number of performance indices is to assess whether an improvement in one is comparable with that in another. It may be practical to build a sophisticated econometric model that combines the results mathematically. But the creation of such a formula may not be justified. In demanding too many good data and too much testing, it may miss key aspects.

Balanced scorecards are less demanding to produce but can be used to good effect to combine a number of elements and targets in a complementary manner to give a 'balanced' picture of overall performance. The indices in the chosen set are each given a (usually estimated) weighting to reflect their relative importance. A set of, say, ten indices can be combined into a single score that indicates a clear trend. Movements in the trend can be investigated by studying the changes in the various indices.

Outline framework for a balanced scorecard

Objectives	Indices	Units	Performance		
			Current	Target	Weighting
Financials	a Expenditure b Investment c Cash				
Customers	a Satisfaction/complaints b Waiting times c Repeat visits				
Internal processes	a Error rates b Productivity ratios c Cost reduction rate				
Learning and competence	a Capability framework b Qualifications c Development projects				

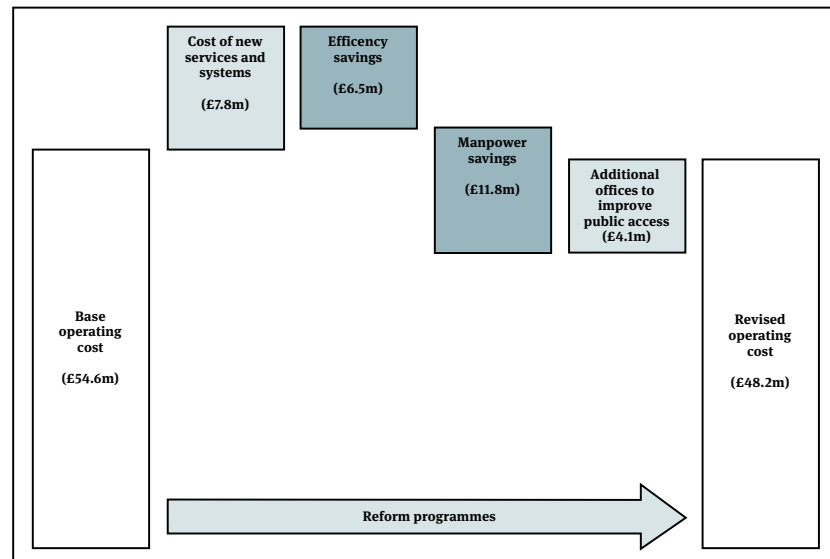
The weightings of the indices, and the indices themselves, can be changed to reflect changes in circumstance. This results in a discontinuity in any graphical representation, but it does give managers the flexibility to concentrate effort on emerging factors. However, misunderstanding and conflict may arise if the indices or weightings are changed willy-nilly, or without consultation with those whose performance is being measured.

Performance bridge

A performance bridge shows the movement from one set of numbers to another. It has several potential applications during a programme of reform. The aim is to agree on a ‘baseline’ and then to explain and summarise differences, for example:

- by the contribution from different units, geographies, sites / locations, types of enquiry, etc
- by root cause – cost, volume, cycle times, overhead cost reduction, etc
- by individual initiative within a programme of many change projects.

A performance bridge – mapping investment and savings



The performance bridge is a powerful means of holding a project team to account for making worthwhile an investment to bring about radical change. Used in conjunction with a project ‘scorecard’, it should be aligned with the normal period managerial accounts to explain the effect of other unforeseen variances and/or changes of tactics. Comparison of the performance bridge projected at the outset of a restructuring exercise with the final picture will show to what extent the initial plans have been translated into firm, measurable results.

Budgeting to boost value for money

Most organisations can reduce their costs. But the most frugal can be the least productive and can fail to meet the main objectives! So in setting and managing budgets a balance needs to be struck between the financial and other objectives of the organisation.

The trouble is that that can too easily become an excuse for setting budgets that simply reinforce past behaviour and do not promote reform. There is a well known tendency in the public sector to make sure budgets get spent so that a similar or bigger budget will be set for next year. And – as noted earlier – plans to allow unspent money to be carried over to prevent the rush to spend at the year end have not worked as was intended.

The mechanisms for control of public expenditure will be difficult to change. Most senior civil servants will have to continue to work within current frameworks for the foreseeable future. But that is not an excuse for not promoting a more prudent and tighter approach to budgeting for specific units. Whether and how savings should be re-invested will be separate questions. But there is certainly advantage to senior managers in keeping budgets tight to generate whatever savings are possible, so that funds can then be used where needed. Slack budgeting, particularly for supporting activities, helps no-one.

Making budgeting exciting

Successful organisations have ways to set ambitious targets and to reward key people fairly for hitting them. They spring from rooted norms and values. Setting budgets can be painful, unrewarding and frustrating – a battle between managers and their bosses. It is natural for managers to want to retain as much ‘undeclared upside’ or ‘contingencies’ as possible to make it

easier to manage whatever crises occur during the year. Several unproductive iterations may result in a horse-traded compromise.

The whole process can be made more relevant and productive.

- First, use current trends in and forecasts for service standards and costs to set an agreed goal for overall results. (A bottom-up approach might feel fairer. But it usually results in managers trying to guess an acceptable outcome.)
- Once that goal is established, work out how best to achieve it. Choices – including difficult decisions that should not be ‘fudged’ – often have to be made to reflect priorities.
- Work through the forecasts with their expected outcomes. This will reveal the gap to be met. To bridge it, revise the plans and adjust the costs.
- Do not inflate targets for the front line above what can reasonably be expected. That leads to disaster. Unrealistic pressure can damage service. And, secure in the expectation of better productivity, managers let back-office overheads balloon. So, when the operational targets are missed, costs are out of balance.
- Set modest yet realistic targets for the front line. Crack down on overheads to release resources to the front line and achieve the required out-turn for services and throughput.
- With appropriate preparation, it is possible to prepare the budget at a series of workshops and short conferences. If all the senior managers are present, the whole thing can be done and dusted remarkably quickly. And that gives the entire team a rosy glow.

17 Summary – survival of the fittest

“It is not the strongest of the species that survive, nor the most intelligent, but the one most responsive to change.”

Charles Darwin

Over the next decade there is likely to be even more change to public services than there has been in the preceding ten years. Remarkable though that might seem, particularly to senior civil servants, external events seem to have combined to produce that inexorable conclusion. How can Central Government departments prepare for such a scenario? What will mark out the survivors from the ones that fall by the wayside?

The quality of managers and how they lead the staff will be one of the determining factors. Not just senior executives but middle managers must be properly empowered to manage services, control resources and set standards. They will need precise accountabilities, effective ways of measuring results and the willingness (and means) to get the best performance out of the staff. The latter clearly includes the ability to remove those employees who consistently fail to meet acceptable standards. In addition, they will need robust organisations, with processes that work in the interests of the public, and costs that can be measured accurately and flexed to changing demand. Finally, some of them should receive rewards matched more closely to the achievement of specific targets for improved public service.

More services will be outsourced to the private and not for profit (third) sectors. This will expose weaknesses and reveal strengths. It will become more difficult to demonstrate comparable value for money in the Civil Service – and impossible if the full costs of pensions are factored in. So, although some services are likely to remain ‘public’, the ways in which they are provided may vary considerably, depending on which part of the United Kingdom they cover. A ‘variety’ of methods of operating can be a good thing if proper standards and controls are established. There is likely to be more exchange of good practice and, hopefully, more frequent movement of managers from the private to the public sector and visa versa. This will be good for both sides. The development of mechanisms to encourage this should be a priority.

Strong managers will make the key difference in moving the Civil Service forward. The emphasis on securing promotion by seeking jobs in policy should be weakened. Operational managers in the field should achieve the same status as their 'Whitehall' colleagues.

The behavioural changes that are required include:

Action instead of inertia.

Speed instead of lethargy.

Focus instead of generalisation.

Openness instead of reserve.

There are many tools and techniques that managers can employ to bring about positive change. Some can be taught: others are much better experienced – perhaps in work alongside consultants – or seen first-hand in another organisation. But to sustain that change demands not just acquired knowledge and better skills but brand-new attitudes. These will follow from the constant refreshing of the 'contract' with the public and of its expectations of what public services should be like in the 21st century.



Collinson Grant

Costs	People	Organisation
Productivity	Performance	Restructuring
United Kingdom	Mainland Europe	United States of America

Activity-based costing | Complexity | Direct costs | Employee relations | Employment law
Implementing change | Integration Lean and six sigma | Management | Managerial controls
Organisational design | Overheads | Performance management | Pricing | Process improvement
Procurement | Reward | Supply chain | Value chain analysis | Workforce planning

Any business that does not constantly emphasise profit
will ultimately make a loss.



Any organisation, system, procedure or individual left undisturbed
for two years will have become inefficient.



Human resources functions cluster on tasks that have
a minimal impact on profitability.

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