



DOING THE BUSINESS

MANAGING PERFORMANCE
IN THE PUBLIC SECTOR –
AN EXTERNAL PERSPECTIVE

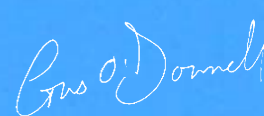
February 2008

Contents

Section 1	
What does good performance management look like and how is it achieved?	2
1.1 Introduction	3
1.2 Output from the panels	3
Section 2	
Performance management – what do we mean?	4
2.1 Context	5
2.2 Why does performance management matter?	6
2.3 Scope of performance management	7
2.4 A Framework for performance management	7
2.5 The importance of culture and leadership in stimulating and sustaining change	9
2.6 The stimulus of openness	9
2.7 Performance management is key	10
Appendix 1	
A Performance Management Diagnostic	13
1.1 Introduction	13
1.2 Avoiding more of the same	13
1.3 The required performance management standard	14
1.4 The Top Performing Organisation	14
1.5 The Diagnostic	15
1.6 Using the Diagnostic	16
1.7 Board models and structure	16
1.8 Current challenges and how to respond	16
Supplement A	
The Diagnostic Tool and How to Use it	17
Supplement B	
Board Structures	29
Supplement C	
Current Challenges and Suggested Responses	35
Advisory Panel Members	42

We are grateful to the members of the many professional advisory firms and bodies who gave their time to work with the Cabinet Office, HM Treasury and the National School of Government to deliver their collective views on Managing Performance in the Public Sector.

Improving performance and financial management is a key part of the current public sector reform – and vital in enhancing the delivery of cost-effective public services. We know that organisations across the public sector will find the contents of this publication helpful in their work to enhance their performance.



Sir Gus O'Donnell
Cabinet Secretary and
Head of the Home Civil Service



Nicholas Macpherson
Permanent Secretary
HM Treasury

Foreword

Good performance management is crucial in any organisation. Successful businesses strive for it and a culture of sustainable continuous improvement is endemic in all of the very best performing organisations – both public and private.

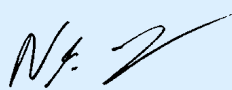
The recent Whitehall Capability Reviews and the existing external assessments made of local government, health, the police etc. have all identified that there are significant opportunities for organisational improvement, in the public sector, including better management of performance. This message is particularly relevant given that across the UK, the central challenge facing all public sector organisations is to do more with less.

This publication aims to draw on the lessons from these reviews, as well as the very substantial knowledge and experience of a volunteer group drawn many of the main external advisers to government, to examine public sector performance management. It seeks to describe what a high performing public sector organisation looks like – and provides some guidance, including an associated toolkit, on how to become one.

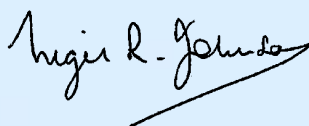
The 3 key messages from this work are :

- **Leading and embedding a culture of Performance Management** – for success, the whole organisation, led by its top team, must embrace a culture where performance management is seen as integral to achieving the desired outcomes. It is important that an organisation's leadership exemplifies the desired behaviours and applies performance management in ways that are most relevant to its context and required outcomes. Performance must not be just a centrally driven exercise or seen as the sole preserve of finance or some other corporate function.
- Recognising that around 95% of government expenditure is incurred in the delivery of policy, maximum effectiveness requires that policy is implemented within **'fit for purpose' delivery structures**.
- Enabling a culture of performance management will have training implications in all parts of public sector organisations. **Succession planning and appropriate training and development** for future leaders and their top teams is an important success factor.

The group of advisers have a vision where a culture of performance management is embedded organisation-wide, with government organisations that demand high quality financial and non-financial performance information, are more confident of their abilities to achieve outcomes cost effectively and more innovative through better insight in to performance to develop, prioritise and deliver broader strategic options. This in turn will result in more forward thinking organisations, delivering public sector added value through better risk management, embracing robust and rigorous analysis by using more relevant and consistent information – leading to improved transparency and accountability.



Nick Jackson
Chair
Performance Management Panel



Nigel Johnson
Chair
Corporate Structures Panel



Charles Tilley
Chair
Best Practice Panel

Section 1

What does good performance management look like and how is it achieved?



1.1 Introduction

Over the last year, four panels of senior advisory professionals who work with a wide range of government organisations have been working to develop some coherent views and ideas about performance management in the public sector. The panels were established by HM Treasury, which saw value in drawing on the experience of such a group of professionals to support the numerous performance improvement initiatives of the government central teams within the Cabinet Office, HM Treasury and the Prime Minister's Delivery Unit (PMDU). The four panels were each looking at different aspects of organisational management:

- Performance Management
- Corporate Structures, Governance and Accountability
- Skills
- Best Practice

The members of each panel are set out in Appendix 2.

1.2 The output from the panels

Each of the panels has devoted much time and effort in exploring what will make a positive difference to how the public sector is currently performing. The fact that so many senior and busy professionals were prepared to give up so much of their time freely, is testimony to how important they see this subject.

Panel members saw potential value could be provided by drawing on their breadth and depth of experience in working across government organisations and with other commercial organisations. They determined to develop some views and products that would help stimulate and support such improvement. The panels intended to address the key issue of the need for sustained efficiency and continuous improvement.

This paper summarises the deliberations and outputs of the Best Practice, Performance Management and Corporate Structures panels, collectively considered as Performance Management.

The Corporate Structures panel has supplemented this by developing a diagnostic toolkit to help organisations understand how well they map against the characteristics of high performing organisations. This is appended to this paper. The Skills Panel has produced a separate report on finance skills, which will be published alongside this paper report. It is based on a survey of a wide range of people across the public, private and voluntary sectors.

The work and thinking of the other three panels has been distilled within this report. It is organised into three distinct parts:

1 Performance management – What do we mean? (Sections 1 and 2)

2 Performance management – What does a top performing organisation look like? (Appendix 1, Supplements A and B)

3 Performance management – Challenges and recommendations (Appendix 1, Supplement C).

Performance management
– what do we mean?

2.1 Context

There is no doubt in the panel members' view that government can do better, needs to do better and needs to be seen to be doing better. The Capability Reviews (CRs) have clearly shown this. There is increasing pressure on government bodies, both at a central and local level, to deliver on a very large number of policy initiatives. These coincide with the Gershon efficiency agenda and the 2007 Comprehensive Spending Review (CSR07), both of which make plain that the significant increases in public spending over the past decade will cease for all organisations and that for many more, there will be reductions in resource. Ministers and civil servants are having to look for new ways to improve how government bodies operate to deliver what is asked of them. Public expectations are increasing as to how taxpayers' money is spent and whether value for money in all areas of government is achieved consistently. More must be delivered for less, and this requires smarter, more cost effective, working and focus on what really matters to politicians and, more importantly, to the public at large.

The panels believe that public sector organisations need to set themselves new standards of performance, accountability and transparency if they are to meet these expectations. They also believe that the need for improvement is not a "one-off" – rather there is a need for every part of government now to be organised and

managed in a way that will achieve continuous improvement in performance, because the expectations of taxpayers and service users will not stand still. The Government is seeking to ensure the public receives world class public services in all areas. To deliver services to that standard, government departments and agencies responsible for providing those services should also be able to demonstrate that they too operate to world class standards.

Against this background, what do we mean by performance management in the public sector? In general terms performance management is concerned with the effective management of an organisation in order to achieve the intended outcomes. In the context of public services the panels define it as cost effective delivery of government strategic objectives with due regard to risks and opportunities. Performance management is, therefore, the process by which organisations set strategy and devise the governance, values, processes and controls to direct people and money to deliver their strategic objectives in a cost effective way with due regard to risks and opportunities.

To manage performance, it must be measured. To achieve "cost effectiveness", one must estimate the necessary quality and quantity of product or service needed to achieve the desired outcomes effectively

Good Practice 1: Delivery Model Review Tool

PMDU developed a tool to help departments or delivery organisations to develop and/or refine their delivery models in order to deliver improved public services. Based on similar principles applied in the Capability Reviews, the tool is designed to highlight areas of alignment and misalignment between drivers and enablers based on the delivery unit's predetermined 'unit of analysis' e.g. DSO or service output. Feedback so far from the increasingly larger pilots has been very positive.

within a defined time period; and also estimate the resources required to deliver it. Measures, both of what was delivered and what it cost, must be devised and monitored regularly by the organisation so that corrective action can be taken should there be significant variation between actual and estimated quantities, cost, quality and timescale. Quality management information that links financial and performance data is required. This includes measuring and monitoring costs per unit, as set out in the newly revised "Managing Public Money" recently published by HM Treasury (page 25, box 4.2).

The panels strongly believe that appropriate measures of organisational performance must be used to hold its leaders and managers to account for their part of the delivery chain. This should be supported by relevant and cascaded rewards and sanctions so that all individuals can align their performance with that of their organisation.

However, there are a number of real and perceived challenges to providing effective performance management in the public sector. The scale and complexity of much of the delivery chain for public services obfuscates transparency and accountability. The increasingly joined-up nature of public services requires new ways of working and better information that facilitate openness and sharing across organisations that have traditionally operated independently.

There is a cultural challenge in the public sector concerning the degree to which organisations really do strive for high performance. The panels are concerned that performance management is often seen as a process to be followed, rather than defining a culture within which services are provided. This stems from issues such as: perceived political risks of out-performing peers; fear of failure because of a blame culture; or decision-making focused on short-term impact often for political reasons, at the expense of more sustainable but longer-term impact.

Whilst the combination of political and financial drivers is different to the

market dynamics of the private sector, and does increase the complexity of accountability; the panels agree that this does not invalidate the relevance of observations from private sector experience.

2.2 Why does performance management matter?

Management of performance is at the heart of service delivery in both the public and private sectors, it is what drives performance improvement. It is key to the effectiveness of performance management that the appropriate delivery structure be identified and implemented. Where it is effective, decisions are made in an open and informed way, acted upon and reviewed to drive continuous learning and improvement. Where key elements of performance management are weak, or not in place, the basis for decisions is often unclear, ineffectively communicated and cannot be readily assessed by staff or by other stakeholders. In addition, performance is likely to be sub-optimal.

The lack of consistent application in the public sector of many of the characteristics of good performance management needs to be addressed so that there is:

- A recognised and understood basis for the political dialogue around how resources are deployed and the value obtained; and
- A sustainable basis for government to be demonstrably accountable for the performance of public services.

The departmental Capability Reviews point repeatedly to weakness in the ways that performance is managed within central government – whilst just one of the dimensions

Good Practice 2: St Helen's Metropolitan Borough Council

For many years St Helen's Council had serious budgetary problems. It had repeated financial crises, no strategic financial management and a high council tax. St Helen's then prepared a Medium Term Financial Strategy which began with a zero-based budgeting exercise. High cost services were identified, with explanations and action was taken to bring this into line with best practice. Affordable service priorities were set by members over a three-year period with cash-limited budgets for all services. A performance management culture was instilled. Service objectives and priorities link to St Helen's community plan. Budget expenditure and service performance are overseen by strong and effective scrutiny committees. Outcomes of the strategy include an elimination of an £11m underlying deficit, major service improvements and a big cut in unit costs and total spending. Council tax has gone from the highest 2% to the lowest 20%.

examined in the CRs, performance management is all pervasive and, therefore, most critical.

Similarly the lack of robust regimes in local government is a frequent observation of the Audit Commission. That said, the panels recognise that there are many examples of good practice in performance management in the public sector and believe that some good lessons can and should be shared.

However, good practice is patchy and a performance management culture is by no means prevalent. Whilst the same is also true of many private sector organisations, market mechanisms are far more likely to motivate improvement or weed out underperformers. In the public sector, competition for investment and clients does not exist and the sanctions for poor performance are at best not clear – and organisational failure cannot generally be permitted. Performance management in the public sector must therefore be much more than just a process – it must be the bedrock, along with regularity and propriety, of good stewardship over public funds.

2.3 Scope of performance management

Performance management has been defined in many different ways over time. The CR states:
“Departmental boards are responsible for performance management. Increasingly, tools such as balanced scorecards and other performance and

financial reports are used, but the evidence on how well these are understood and applied to manage performance is mixed. Performance and financial management data are often poor, though departments are tackling this.”

The panels are consistent in their view that this is too narrow a definition, indeed the CR framework goes on to say:
“More important, however, is having the right sort of challenging and honest performance management conversations.”

The primary objective of good performance management is for it to be **integral to everyday operations**. It should lie at the heart of an organisation **building and sustaining a culture of high performance and achievement**. It is about ways of working, how decisions are made, and how actions are implemented and tracked. It needs to combine the ‘stick’ of accountability and transparency, with the ‘carrot’ of incentives and rewards. It involves:

- **Setting strategy**, including key objectives and performance targets;
- **Taking decisions** to organise and apply resources so as to be able to deliver effectively against objectives and targets;
- **Monitoring performance** dynamically against those objectives and targets; and
- Working with people to **act upon and implement** decisions, and to improve performance when and where needed.

However, these factors can only be effective once the culture is there to use them constructively towards achieving high performance. A culture that might be evidenced as a coaching culture where problems are jointly identified and fixed, rather than a blame culture; or a culture where all employees have an innate desire to excel. Improving performance culture needs to be driven from an understanding of what is currently working or not. The CRs and the diagnostic developed by the Corporate Structures panel are useful tools that consider, amongst other things:

- what types of decisions are made, at what level and how are they suitably informed;
- how are accountabilities cascaded through the organisation and what supporting tools, methods and information exist to support those with accountability for results;
- what incentives and disincentives exist, and what is the approach to risk and opportunity management;
- how is performance management aligned to strategy, and planning and budgeting processes;
- how does organisational performance management flow into individual performance, and how are people led, managed, appraised and developed.

2.4 A framework for performance management

There are as many different frameworks for performance management as there are consultants advising on the subject. A simple, high

level framework has been used by the panels to articulate the elements of an organisation that must work well in order to have high performance.

The six elements of the framework can be defined as:

- **Culture and Behaviour** – how the organisation and its people behave; how their attitudes, skills, knowledge and experience combine to deliver a motivated, innovative and consistently high performing organisation that is willing to continuously learn from itself and others to improve;
- **Leadership and Direction** – how the Executive and top team behave in ways that guide and enable the organisation to perform; how they set and communicate a clear vision strategy for the organisation; and

how well they demonstrate the values the organisation will adhere to in achieving its goals;

- **Systems and Information** – how technology is used by the organisation to support its business processes and its delivery to the public; how it facilitates the collection, analysis and presentation of information in meaningful ways for management and stakeholders, who are responsible for data quality and its improvement; how the right information is defined and used;
- **Processes** – how policies are translated into practice (eg processes and procedures) and ways of working; how evidence-based decisions are made; frameworks, tools and methods used; how processes support

delivery of business outcomes; how process requirements are supported by technology;

- **People** – how people are acquired, valued, managed and developed; how required skills and competencies are identified, assessed and accessed; how incentives are used to motivate people to align their objectives with those of the organisation;
- **Organisation** – how the organisation is managed and structured and governed; how relationships (internal and external) are managed; how strategy is set and cascaded throughout the organisation; how it is perceived by its stakeholders.

It is not by chance that the framework developed by the panels has Culture and Behaviours and Leadership and Direction as the two fundamental elements. The culture of an organisation is the foundation which determines if it succeeds or fails – it is the organisational DNA. But unlike DNA, if an organisation's culture needs to adapt or change, this is possible through the second fundamental element, leadership and direction. The other four elements of the performance management framework designed by the panels are important enablers and critical to sustained performance improvement. They all impact on delivery capability and, therefore, need their own prioritisation by organisations if a high standard of performance is to be achieved throughout an organisation.



However, the panels believe that primary emphasis and resourcing is often given to the four enablers, rather than adequately addressing the leadership and culture challenges. As a consequence the full value of investment in performance management is rarely realised.

2.5 The importance of culture and leadership in stimulating and sustaining change

The panels feel strongly that to achieve the change in performance required across government, cultural shifts are needed so as to create much more flexible, outcome focussed and outward facing organisations that stand up to scrutiny and exceed public expectations continuously. Creating this sort of high performance culture will not happen quickly, cannot be imposed and is not easy. There is no single answer to what a good culture looks like. Instead it is for the organisation to define its own culture and to build its own desire for high performance in its own context. Leadership in the public sector needs to be open to challenging themselves and their organisations to engender a culture of excellence and best value. It requires those top people to lead by example and not “do it to the organisation” without recognising the need to change themselves.

The panels’ central proposition, therefore, is that, to start the journey toward best in class performance

management, initial emphasis should focus on creating a strong, cohesive and aligned leadership team that functions in a transparent manner.

This may require external intervention and support to facilitate and challenge leadership behaviours, but invariably requires the team itself to define how it should function and how it should manage organisational and individual performance.

Good Practice 3: NHS foundation trusts

Transparent and robust regulation by Monitor is credited with helping the NHS foundation trust sector to deliver significant benefits to patients. Foundation trusts enjoyed their most successful year in 2006–07 with most now generating the surpluses needed to invest in improving and expanding patient services. The most recent results show continuous improvement with foundation trusts reporting an aggregate surplus of £130m before exceptional items and having achieved efficiency improvements of 3% of costs (equivalent to in excess of £270m). 96% of foundation trusts were rated as good on use of resources compared to 27% of non-foundation trusts under the Healthcare Commission’s Annual Health check ratings.

2.6 The stimulus of openness

“Information is the currency of democracy.”

Attr: Thomas Jefferson

Transparency in government is often associated with good governance. The International Monetary Fund in its Code of Good Practices on Fiscal Transparency makes this point explicitly and goes on to push the link with accountability for the implementation of fiscal policy, macroeconomic stability and high quality growth.

The panel members’ research revealed an important theme about transparency that was directly linked to culture and leadership. The reputation of successful, and unsuccessful, organisations in the private sector are, in the main, created because their performance is for all to see – they publish their results and track record of performance; they update stakeholders routinely with their trading performance; and they are required to set out in their annual reports balanced and detailed comment on their strategy, and their performance against that strategy, together with the key risks they face and how these are managed. Also, they give information about their prospects and the barriers to future success. As a result, public companies can be seen either as successful or not, through the availability of reliable performance information. In short, transparency is necessary for accountability to stakeholders.

By comparison, public sector organisations have an inconsistent record on openness and transparency about their performance. It is noticeable how this improves the nearer the organisation is to the citizen. Local authorities and NHS bodies almost invariably place their Board papers and minutes on their websites and Council/ Board

Good Practice 4: British Library

The British Library's annual report and accounts for 2005/06 lifts the lid on its recent activities. Entitled 'Connecting', the report succeeds in showing how the library is making its collections and expertise accessible to new audiences and demonstrates how electronic information has transformed its work.

The annual report explores the library's strategic plan for the next three years. It illustrates the organisation's performance in terms of key performance indicators, using graphics, pull-outs and quotes to remind the reader of the library's focus on electronic information. The British Library's main stakeholder is the taxpaying public, and the accounts themselves are supplemented with sections on grants and donations, governance and a clear explanation of remuneration plus the roles and responsibilities of the senior team.

meetings take place in public. Performance against budget and against other key national and local targets is presented and the monthly finance and performance reports to the Board or to members can be seen by anyone who may be interested. For these local government and NHS bodies, there is good accountability on performance to the public and to service users. Indeed these bodies are subject to oversight and inspection regimes that require and reward openness and quality performance.

In contrast, whilst Freedom of Information legislation has provided improved, if somewhat limited, access to specific information, and the publication of CRs a step forward in more open and honest assessment of departments and agencies, the performance and decision-making processes of central government need to be more transparent. It is rare to see any information about Board activity on any central government department website. It is also sometimes hard to get meaningful information about how a government department is performing against its key targets and objectives during any reporting period. Also less visible to the public eye is what the prospects are for future delivery of its key strategic and operational objectives. Panel members find no persuasive explanation of why some parts of the public sector seem to be transparent and accessible, while others are less so. The panel members believe that a real culture shift can be achieved through "opening up" an organisation to external review and to more transparency. This opening up needs

to be led from the leadership teams of departments, both political and operational.

As well as public scrutiny, more open behaviours from the leadership team will help drive a high performance culture across the organisation. The panel members see this as an important and necessary step in enhancing the accountability and openness of government performance. While increasing public access to performance information on a day to day basis is a significant challenge to the status quo it is critical to public service reform and to political accountability. CSR07 refers to better information on Public Service Agreement (PSA) performance being made available to the public and the panels welcome this as a step forward.

2.7 Importance of good quality performance information

As noted above one of the important performance management enablers is good management information. The lack of this has been a recurring theme in the CRs. No organisation can sustain high performance without good information – about current performance, about future variables and trends, about its people, about its customers and suppliers. In the most successful organisations, the leadership have defined their information needs and established systems to provide that information in the form required and on a timely basis. Devolving accountability to an appropriate level creates a demand

lever for this. Concise and clear presentation of information, linked to the key organisational activities and objectives is essential if performance management is going to be effective. Panel members have often seen public sector leaders overwhelmed with data in their management reports, without any attempt to pull out key messages or exception reporting information.

Another fundamental shortcoming is that financial and non-financial information are not well aligned and there is little understanding of how inputs link to key activities, outputs and, most importantly, outcomes. Only once this sort of alignment is in place can the type of informed decisions about resource allocation and priorities that will be required for CSR07 be possible.

This is not just an esoteric accounting issue. Not having and using this information represents a failure to understand the basic relationship between what policy objectives are being sought (outcomes), what activities, projects and programmes supporting those objectives are meant to deliver (outputs) and the related cost (input) per standard unit of quantity and quality of product or service being provided. Without this information, it is conceptually and practically hazardous to try to assess value for money – i.e. the cost effectiveness of a given policy. The absence of this information not only adds to the difficulty in internal and external assessment of an organisation's performance, it also makes it extremely difficult to set

individuals' performance objectives in that organisation and evaluate them in an objective and transparent way.

The frustration that many public servants experience with their own annual performance assessment exercise is in large part due to the absence of measurable evidence to inform the process. One also has to ask how easily the people in an

organisation can become aligned with its strategic objectives if the reward systems themselves are not aligned to those objectives.

Reward, including its many important non-monetary forms, is by no means the only motivator of the generally very dedicated and talented people that pervade the public service, but it is certainly an important factor.

Good Practice 5: Output Costing

An increasing number of government delivery units and departments are employing mechanisms to determine the cost of their outputs. The Land Registry and the Police have been improving their efficiency through output costing for some time now. Other areas of government are following suit. The biggest movers are the Foreign and Commonwealth Office (FCO) and the Ministry of Defence (MoD).

The Defence Equipment & Support Organisation is costing and therefore managing effectively all MoD equipment 'through life', from concept to disposal. Through the use of Integrated Project Teams, it has identified its outputs, established cost metrics and set up management regimes to improve efficiency and performance. The Army, through its Output Delivery Programme, is undergoing a similar output management programme in order to manage its activities more efficiently. Central to both of these programmes are performance and financial metrics.

Helicopter training establishments now understand the cost of flying hours by helicopter type, type of training, conditions and load, and ground maintenance in order to train more smartly, more efficiently and maintain output targets.

By law the FCO is not permitted to over-charge for the provision of visas. To separately identify the whole cost of providing visas, FCO needed to understand all its activity/output costs. To help them they have employed a web enabled Activity Based Costing System. FCO has now implemented new and more sophisticated activity management systems based on their Strategic Priorities to provide greater visibility of where costs lie. Apart from the planning and decision-making benefits, this will also greatly assist FCO with Segmental Reporting by Departmental Strategic Objectives.

It is no surprise that NHS foundation trusts - who are starting to implement service line reporting which, in essence, is income and expenditure analysis for different types of service - are only now able to see which of their services are generating income and which are making losses. With this sort of information, sensible operational and strategic decisions can be made about how to run those organisations and where improvement in efficiency or cost is needed.

CSR07 is requiring the public sector to analyse to a much greater level of granularity where their costs are applied and the value being obtained. HM Treasury also recently published "Managing Public Money", which sets out ethical and stewardship requirements for public servants. It makes clear the requirement for good management information, including unit costs. There is a serious attempt being made to understand what different government programmes are costing and how well the desired outcomes are being delivered. Once costs are attached to different activities and outputs, investment and

divestment decisions can be made. The tendency of the public sector to make incremental cuts - for example, applying a percentage reduction across all services - and to measure status by reference to budget size are not going to be sustainable if CSR07 objectives are to be met. Better information and insight is, therefore, necessary for the type of strategic decisions required to drive significant service improvement to be made.

The panel members fully support the attempts in the CSR07 process to cause government departments and agencies to better analyse and report their costs and match these directly to programmes, activities and outcomes. The public expect the best use of scarce public resources to be made. The best organisations are passionate about finding savings in one part of their organisation to invest more in others that have greater priority or return on investment. Panel members urge all government organisations to look hard at their current performance information and challenge whether it is providing them with the sort of information that is needed in today's demanding world.

A Performance Management Diagnostic

Contents of Appendix 1

This Appendix sets out the following:

- 1.1 Introduction**
- 1.2 Avoiding more of the same**
- 1.3 The required performance management standard**
- 1.4 The Top Performing Organisation**
- 1.5 The Diagnostic**
- 1.6 Using the Diagnostic**
- 1.7 Board model and structure**
- 1.8 Current challenges and how to respond**

Supplement A

The Diagnostic Tool & How to Use it

Supplement B

Board Structures

Supplement C

Current Challenges and Suggested Responses

1.1 Introduction

Over the last year, four panels of senior advisory professionals who work with a wide range of government organisations have been working to develop some coherent views and ideas about performance management in the public sector. The panels were established by HM Treasury, which saw value in drawing on the experience of such a group of professionals to support the numerous performance improvement initiatives of the government central teams within the Cabinet Office, HM Treasury and the Prime Minister's Delivery Unit (PMDU). The four panels were each looking at different aspects of organisational management:

- performance management
- corporate structures, governance and accountability
- skills
- best practice.

The members of each panel are set out in Appendix 2.

1.2 Avoiding more of the same

The panels of advisers convened by HM Treasury in September 2006 were tasked with considering ways by which performance management across government could be improved. They were asked to draw on their considerable combined experience of working across local and central government as well as with the private and voluntary sectors.

From the outset, the panel members were well aware of the need to avoid duplication or overlap with other material. All large departments will have been through the Capability Review (CR) process by the time this report is published. They will all therefore have action plans to improve in areas of identified weakness. Some will already be going through progress checks on their action plans by the review teams. The panel members were therefore concerned to develop something that was not going to duplicate material and guidance which has already been produced on improving organisational performance of public sector bodies. Instead the panels decided to develop something that could serve a genuine and practical purpose in helping public sector organisations assess how they matched up against what the panel members considered are the essential features of a top performing organisation. The panels were also conscious that whilst the CRs are covering a very considerable proportion of government spend by looking at the big central departments, this left a very large number of public sector bodies in both central and local government outside of the review scope and therefore in need of some other practical guidance and tools.

The panel members were also aware of the need to distinguish the Diagnostic from the CR Framework, whilst recognising it served a purpose in supporting the improvement agenda to which the CRs are targeted.

The Diagnostic is designed to assess an organisation's performance and standing against the Top Performing Organisation standard. CRs are designed to assess an organisation's capability and capacity to address its challenges in the future. Hence they have differing objectives, but sit well alongside each other in the view of panel members. The Diagnostic enables an organisation to self-assess, whereas the CRs were performed by teams external to that organisation. Also, the diagnostic can be applied more than once, perhaps a year or so apart, to track progress against the previous assessment and resultant action plan. The Diagnostic outcome is likely to enable an organisation to address current shortcomings in leadership, strategy and performance management and thus be better placed to deliver against its various challenges.

1.3 The required performance management standard

In determining that there were new challenges that government organisations needed to address, the panels set about defining what a very successful organisation looks like. Members did not think it important to distinguish, initially, between public and private sector practice in this regard. Members unanimously agreed that the features of a successful organisation were common, whichever sector in which the entity was operating. What mattered, in the view of the panels, was that people had a clear view of what a top performing

organisation should look like and could then compare their own organisation against this standard. Far from thinking such a comparative assessment could be too simplistic or inappropriate for government bodies, the panels were again unanimous in their view that government bodies need to challenge themselves to be the best in all that they do. This inevitably includes being seen both internally and externally as a top performing organisation. The panels therefore produced a description of a Top Performing Organisation in section 1.4 below. They encourage government bodies of all sizes and shapes to review their own organisation against this standard. Where features are found lacking, it is the panel's view that steps should be taken to address such failings. The public deserve and expect that this be the response.

1.4 The Top Performing Organisation

Below is set out a statement of the panel's view of what a Top Performing Organisation should look like:

The organisation has a clear and documented vision and strategy. It is organised and structured in a way that facilitates management and delivery of its strategic objectives, the related outputs and outcomes.

The strategy is underpinned by appropriate funding and there is communication to all levels in the organisation on its strategic goals and objectives and how everyone contributes to their achievement.

The organisation has an appropriate and effective Board of Directors. It encourages and values the presence and contribution of Non-Executive Directors (NEDs) on the Board. There is a good balance of requisite skills and experience amongst the executives and NEDs. There is a documented accountability structure which reflects the respective roles and responsibilities of the Board, Ministers, the Board Chairman, Permanent Secretary and executive NEDs

There is an effective system of internal control designed to enable and support delivery of the organisation's strategy and manage related key risks. This includes there being an effective Audit Committee composed of appropriately qualified NEDs.

The organisation has a learning culture; it actively seeks to benchmark its own performance against others and reaches out to others for ideas and experience to help improve its own performance.

The Board leads by example, fostering corporacy and team-working, rather than silo or individual working behaviours. It demonstrates and encourages the values and behaviours it has set for the organisation. Innovation is actively encouraged with praise and reward for new ideas that contribute to the organisation's performance and success.

The organisation fosters an open culture, where challenge at all levels, including at the Board, is constructively given and received. The organisation is outward-looking, having identified all

key stakeholders, partners, customers and service users and ensures their needs are met. There is active communication and engagement with all key stakeholders, partners, customers, service users and the wider public to ensure the organisation remains aware of their changing needs and incorporates these into its plans. There is effective communication within the organisation with active and regular information sharing from the Board downwards and ready access to top management.

The organisation is comfortable and positive about working in partnership with other organisations, where this is needed to deliver shared or common objectives.

The Board promotes a culture of excellence and high standards in all it does. It is focused on performance delivery, praising success and achievement whilst dealing with underperformance robustly, yet fairly. The Board ensures that effective financial and performance information systems are in place, that give people at all levels the information needed to support their work and demonstrate achievement against plans, budgets and performance objectives. Key performance measures are used throughout the organisation, which link directly to the strategy. Staff appraisal, reward and progression for all levels are also aligned with the organisation's strategic objectives and performance. All staff are appraised about their performance at least annually without exception. Staff development is encouraged and supported, with all individuals having development plans

and objectives which are then monitored.

The organisation is flexible and forward looking, watching out for developments and trends that may impact it and having mechanisms to be able to adjust its plans and adapt its organisational model to ensure strategic objectives are met and the long term success and sustainability of the organisation are secured.

The organisation consistently delivers or outperforms against its plans and objectives. It is recognised by peer organisations and others as a successful organisation and achieves awards and other external recognition for its success. It is an organisation to which top talent is consistently attracted and its staff are highly motivated with low turnover and sickness levels.

1.5 The Diagnostic

Having determined what a top performing organisation looks like, it was decided to produce a Diagnostic tool by which any individual government entity can compare itself against this standard. This can be found in Supplement A as well as how it can best be used. The panels decided to categorise the respective features of the Top Performing Organisation under the three headings used in the CRs:

- 1 Leadership, including culture and behaviour
- 2 Strategy, including how stakeholder views and expectations are addressed

3 Delivery, including accountability and structure

The panels have also differentiated in the Diagnostic tool between those features of the Top Performing Organisation which are more essential to be assessed as an effective organisation and those that really would reflect very best practice.

There is no doubt that the plethora of material and guidance produced to help government organisations improve their performance will organise the features of organisations differently. In Section 1 above, the panels clearly concluded that Leadership and Direction and Culture and Behaviour are the key elements that drive either good or bad organisational performance. They also consider that to achieve successful delivery against objectives, the four enablers – systems and information, organisational structure, processes and people – also need to be effectively supporting the organisation. The panels recognised the importance of trying to align any new guidance or tools to the recently accepted CR framework. Such alignment would then enable users of these tools and guidance to understand their fit alongside any CR action plan they may be working on. Importantly, they should provide practical support and assistance in improvement areas. For those many public sector organisations not covered by the CRs, however, assurance can be taken that using the products of the panels would position them well alongside the requirements.

1.6 Using the Diagnostic Tool

The panels consider the best way in which the Diagnostic tool should be applied is by means of a facilitated workshop for a range of people within the organisation. This could be limited to top management including NEDs, but could also include representatives from other levels within the organisation. The Diagnostic is not a “yes/no” checklist and hence is not easily applied. It requires both oral and written evidence to be gathered and presented against each feature of the Top Performing Organisation model. The success of its application will depend on the seriousness with which those using it apply themselves to responding to the various areas considered with hard evidence and examples that demonstrate that the organisation they work in meets the various standards set out. The quality and extent of the evidence base presented will be the test of an organisation using the Diagnostic to good effect.

The result of using the tool should be a rounded assessment of strengths and weaknesses about an organisation and this should lead to an action plan where steps to be taken are agreed to move the organisation closer to the Top performing Organisation standard. Panel members challenge all public sector organisations to use the Diagnostic tool as a stimulus to improve their own business and become truly world class. The Diagnostic can be found in Supplement A.

1.7 Board model and structure

The panel members were conscious of the critical importance of the Board role and composition in performance management. The design of the Diagnostic does not allow for adequate exploration and consideration of board issues, though it includes high level factors that derive from the Top performing organisation model. To do justice to board considerations, a separate paper has been produced and is attached as Supplement B to this document. There, you will find more considered analysis of board related issues which panel members see as fundamental to effective organisational leadership and management of performance.

1.8 Current challenges and how to respond

The final element of the panel members’ output is a set of suggested responses to challenges which are included in Supplement C. These are designed to be used as a prompt for managers in government departments when they are seeking to address how to take forward changes in performance management within their organisation.

The Diagnostic Tool And How To Use It

A1.1 Facilitation of the Diagnostic Tool

The panel members consider that the Diagnostic tool should best be applied through a facilitated workshop or group session, using experienced facilitators to go through the respective attributes and seek definitive evidence for each of them. There should be opportunity given to all participants for open and candid contribution to each area covered by the Diagnostic. Where disagreements arise on the views or evidence offered against a particular feature within the Diagnostic tool, these disagreements should be followed through and resolved so that the final evidence level documented is fully supported and agreed by the group. Only after going fully through all the elements within the Diagnostic should the final evaluation be undertaken. Otherwise there is a danger that the quality of the discussion on qualitative aspects of the organisational assessment could be unduly and unhelpfully influenced. The Diagnostic can be used without facilitation, although the richness and objectivity of the evidence and evaluation obtained may be weakened as a result. For example, NEDs could seek to use the tool to form their own assessment of their organisation and help drive the priorities for their executive team.

A1.2 Quantitative evaluation

Much thought was given as to whether it was sufficient to ask people to apply the Diagnostic to their organisations and have them end up with a qualitative view of how they measure up against the Top Performing Organisation model. On its own, this might be enough to spur an organisation on to improvement, if they were sufficiently well motivated to be the best. However, because there are so few real organisational comparative measures in central government, the panels decided that the Diagnostic should include a quantitative evaluation mechanism, which would allow the diagnostic results to be evaluated and, perhaps, compared with others. Also, a quantitative mechanism allows for re-application of the tool after an agreed period to determine if improvement has actually taken place. Local government has had the Comprehensive Performance Assessment regime applied to them for the last five years now, which ranks their performance annually on a four-point scale of Excellent to Poor and also produces an assessment of prospects for improvement as well. This is widely considered to have served as a catalyst for improvement in local government performance. The panels are clear that trying to argue that every government entity is different and therefore can't be compared with another would merely reflect the typically blinkered and complacent attitudes within some parts of government. No longer is it tenable to claim that government can't be measured or compared against others.

The public will no longer tolerate such defensiveness. If 40% of the country's resources are being applied to government, the panel's firm view is that there has to be a step-change in accountability and openness about which parts of government are performing strongly and which are not.

A1.3 Diagnostic evaluation

The panels agreed that there should be two dimensions to the evaluation mechanism within the Diagnostic. The first dimension is to assess the level and quality of evidence that the organisation can put forward against the respective attributes set out in the tool. The second dimension to be scored would be the urgency or significance of the relevant area for the organisation. Both dimensions should be scored on a scale of 1 to 3. For the evidence dimension, 1 will reflect strong and highly robust evidence against the relevant attribute in the Tool. A score of 3 will reflect limited or no evidence.

For the other dimension, a multiplier of 1 will be applied to the first score on evidence robustness if the consensus is that the area being assessed is urgent or important for the organisation. A multiplier of 3 will indicate that the area is not significant for the organisation and/or that any improvements required are less urgent and performance critical. Hence, the lowest scores after

applying the two dimensions of the scoring methodology will reflect an organisation's strength in the most important areas. The higher scores should represent areas of weakest performance but in the less significant areas. However, users of the Diagnostic should not forget that meeting the Top Performing Organisation standard means that any areas of weakness should be tackled.

A1.4 Action planning

A key feature of the tool's application is to ensure that, for areas that do not reach the standards set out in the Diagnostic, users should formulate an action plan to address such areas. Again, the panel is concerned that this be done, if at all possible, in the facilitated session so that all group members can discuss and agree the implications of necessary actions and allocate appropriate and realistic responsibilities and timescales to each improvement area. There should be agreement on how the action plan is to be monitored for effective implementation. The group should also agree when next they might re-apply the tool to their organisation to determine whether they have improved overall, including in these areas identified for specific action. Users of the Diagnostic may wish to consider any action plans arising from their CRs, where relevant, in determining their necessary actions and timings for improvement.

A1.5 Conclusion

The Diagnostic is designed to support and enable improvement in government performance. Used well and seriously, the panel members are confident that government organisations can become Top Performing Organisations. The public expect nothing less.

A1.6 The Diagnostic Tool

1. LEADERSHIP, CULTURE & BEHAVIOUR

1.1 The Board demonstrates effective leadership by, for example, fostering a corporate rather than a silo culture, planning for their role as corporate leaders, and demonstrating effective teamwork by agreeing on how they will work together and articulating inspirational Board behaviours.

What evidence is there:

EFFECTIVE	BEST PRACTICE
<ul style="list-style-type: none"> ■ That people in the organisation have strong respect for the Board and look to it for direction and leadership? ■ Of a clear articulation of what values the Board seeks to promote and what the leadership role means? ■ Of Board and senior management compliance and consistency with the stated values and leadership role? ■ That corporate, rather than functional silo, behaviours are demonstrated and encouraged in board discussion and decision-making and in senior management performance? ■ That the Board meets sufficiently regularly to direct the organisation and monitor its performance? 	<ul style="list-style-type: none"> ■ That Board and management succession is actively discussed and planned for? ■ That mechanisms are in place to measure the effectiveness of teamwork?

1.2 The organisation has an effective Board.

What evidence is there that:

EFFECTIVE	BEST PRACTICE
<ul style="list-style-type: none"> ■ The Board has identified its information requirements to enable it to conduct its business? ■ There are robust processes in place to prepare Board agendas and papers which facilitate the Board's business conduct? ■ The organisation has processes for implementing Board decisions throughout the organisation and the Board monitors their implementation and effect? 	<ul style="list-style-type: none"> ■ The Board self-assesses its effectiveness at least annually? ■ The organisation has an induction and development programme for Non-Executive Directors (NEDs) to equip them with appropriate business knowledge?

1.3 The presence of NEDs on the Boards is encouraged, valued and used to good effect.

What evidence is there that:

EFFECTIVE	BEST PRACTICE
<ul style="list-style-type: none"> ■ The organisation involves its NEDs in all key decisions? ■ There is at least one financially qualified and experienced NED who can effectively chair the Audit Committee? 	<ul style="list-style-type: none"> ■ The organisation values the contribution from NEDs and makes best use of their expertise? ■ The organisation is persistent in seeking out NEDs with wide and appropriate skills and experience that bring added value to the organisation?

1.4 The Board and senior management encourage a culture that supports innovation by demonstrating their own openness to challenge, praising and rewarding new ideas and taking a balanced approach to risk and return.

What evidence is there:

EFFECTIVE	BEST PRACTICE
<ul style="list-style-type: none"> ■ That constructive challenge is encouraged? ■ Of a balanced approach to risk and return? 	<ul style="list-style-type: none"> ■ That innovative thinking is rewarded?

1.5 The Board and senior management strives for an open culture by ensuring there is effective communication throughout the organisation, sharing all relevant information and encouraging access to top people.

What evidence is there:

EFFECTIVE	BEST PRACTICE
<ul style="list-style-type: none"> ■ Of an external and internal communications strategy / plan? ■ Of a culture of open communications within the organisation? ■ Of regular monitoring of the effectiveness of internal communications? 	<ul style="list-style-type: none"> ■ That the Board and the most senior management are "in touch with" the organisation and have mechanisms to continue to be so?

1.6 The Board encourages a culture of wanting to succeed and to be seen to be successful by others. It gives priority to performance management and delivery against its strategic objectives and plans.

What evidence is there:

EFFECTIVE	BEST PRACTICE
<ul style="list-style-type: none"> ■ That the Board, and the organisation more widely, is performance focused? ■ That performance management is given a high priority? 	<ul style="list-style-type: none"> ■ Of a culture of continuous improvement, striving for excellence and of dealing effectively with poor performance? ■ That the views of external stakeholders are routinely sought as to whether the organisation is seen as strongly performing and successful against its strategic role and objectives?

1.7 Individual performance appraisals, incentives and reward are linked to strategic objectives and organisational success and delivery.

What evidence is there:

EFFECTIVE	BEST PRACTICE
<ul style="list-style-type: none"> ■ That the organisational and personal performance measures and reward systems for all levels are aligned so as to encourage appropriate behaviours? 	

1.8 People within the organisation are motivated and it is an attractive place to work.

What evidence is there that:

EFFECTIVE	BEST PRACTICE
<ul style="list-style-type: none"> ■ Staff at all levels are motivated in their work? ■ The organisation assesses the skills requirements regularly and takes steps to address any mismatches with need? ■ Sickness and absence levels are relatively low? ■ Staff turnover is in line with expectations and consistent with retaining the best and addressing poor performers? 	<ul style="list-style-type: none"> ■ The organisation continuously attracts the best people at all levels?

2. STRATEGY

2.1 The organisation has a clear and documented vision and strategy.

What evidence is there that:

EFFECTIVE	BEST PRACTICE
<ul style="list-style-type: none"> ■ The vision, mission and strategic objectives of the organisation are clearly articulated? ■ There is a clear, up-to-date written strategy for the organisation? ■ The strategy describes the type of organisation it is seeking to be? ■ The strategy gives due consideration to the organisation's medium to long term directions, plans and objectives, its risks, threats and opportunities and how it will address these successfully? ■ The strategy is informed by key stakeholder needs and expectations? ■ The strategy sets out clear measures and targets for all objectives and outcomes? ■ The strategy is underpinned by resource and finance plans? ■ There are reliable mechanics to ensure the strategy is updated within appropriate timescales? 	<ul style="list-style-type: none"> ■ "What success looks like" has been clearly defined for the organisation? ■ The strategy includes how it proposes to communicate on its performance against the strategy to key stakeholders?

2.2 The organisation considers all key stakeholders including customers, staff and Ministers, and ensures that their needs are met.

What evidence is there:

EFFECTIVE	BEST PRACTICE
<ul style="list-style-type: none"> ■ That key stakeholders have been identified, their needs established and plans to meet these have been developed? ■ That plans change to align with changing stakeholder requirements? ■ Of regular monitoring of the effectiveness of stakeholder communications? 	<ul style="list-style-type: none"> ■ That mechanisms are in place for key stakeholder and "consumer" views to be obtained routinely and used to inform business planning? ■ Of an external and outcome-focused ethos throughout the organisation?

3. DELIVERY, INCLUDING ACCOUNTABILITY AND STRUCTURE

3.1 The organisation shares its objectives and outcomes throughout the organisation to encourage achievement of business aims.

What evidence is there:

EFFECTIVE	BEST PRACTICE
<ul style="list-style-type: none">■ That the organisation communicates its strategic goals and objectives down the line to those given the task of delivering them?■ Of a performance framework that acknowledges achievement and deals with under-performance in any delivery units?■ That the organisation's critical success factors and key performance measures are clearly identified and widely understood throughout the organisation?■ That improvement priorities, both for the short term and long term, are clearly identified and supported by appropriate action plans?	<ul style="list-style-type: none">■ That performance metrics are linked with planning and forecasting processes and systems?

3.2 The organisation has a documented accountability structure.

What evidence is there that:

EFFECTIVE	BEST PRACTICE
<ul style="list-style-type: none"> ■ The respective roles and responsibilities of senior management, ministers, the Board, the Chairman of the Board, the Permanent Secretary and directors (both executive and non-executive) are clearly specified and recorded? ■ The decision-making powers reserved for the Board, any Board sub-committees, individuals and groups within the organisation are specified, including how these may be delegated or varied? ■ There are clear accountabilities within the budget group, which includes agencies and NDPBs? ■ There are well defined delivery agreements with all relevant other public and private sector bodies involved in the delivery chain? ■ Well defined arrangements are in place which provide for the establishment and maintenance of appropriate risk management processes, including a Board Assurance Framework, linked to strategic objectives and risks that threaten their achievement? 	

3.3 The organisation has a structure and composition that fits with its purpose and strategic objectives.

What evidence is there that:

EFFECTIVE	BEST PRACTICE
<ul style="list-style-type: none"> ■ The organisational structure is consistent with its objectives? ■ Reporting and accountability lines are clearly defined and enable people at all levels to understand their own contribution to delivering the organisation's objectives? 	<ul style="list-style-type: none"> ■ The organisational structure has been sufficiently flexible to adapt to changes in objectives, direction and priorities of the organisation?

3.4 The organisation has an effective system of internal control.

What evidence is there that:

EFFECTIVE	BEST PRACTICE
<ul style="list-style-type: none"> ■ The organisation's commitment to the importance of effective internal control and risk management is supported by the Board's consideration of them? ■ There is a defined system of internal control that is designed to enable and support delivery of the organisation's strategic objectives and manage related key risks? ■ The control and risk management systems are routinely kept up-to-date for new or passed risks? ■ There are processes which enable control weaknesses to be identified and addressed on a timely basis? 	<ul style="list-style-type: none"> ■ Clear responsibilities have been allocated to individuals for monitoring and providing assurance systematically on respective controls? ■ The principles of risk management and internal control are embedded throughout the organisation?

3.5 Organisation-wide performance management information is owned and driven by senior management.

What evidence is there that:

EFFECTIVE	BEST PRACTICE
<ul style="list-style-type: none"> ■ One senior executive has overall control over the provision of all management information? ■ Senior management make appropriate use of, and act on, performance management information? 	<ul style="list-style-type: none"> ■ That principles which underlie the performance management information are appropriate and are agreed by the business heads?

3.6 The importance of business performance and delivery of strategic objectives are understood by the business, and linked to key supporting performance measures against which progress is evaluated.

What evidence is there:

EFFECTIVE	BEST PRACTICE
<ul style="list-style-type: none"> ■ Of a clear process by which the organisation's performance against its strategic and operational objectives is managed and monitored? ■ That information relevant to performance against the organisation's strategic objectives and key business aims is defined? ■ That the performance measures/KPIs allow routine measurement of the achievement of each strategic objective? ■ That performance metrics are linked with resource planning, where appropriate? 	

3.7 Strategic objectives and priorities are cascaded to departmental, unit and individual levels throughout the delivery chain, with reporting measures and KPIs and these, in turn, are linked to individual performance appraisals, incentives and reward.

What evidence is there:

EFFECTIVE	BEST PRACTICE
<ul style="list-style-type: none"> ■ Of the existence of a performance management framework that links performance measures to an individual's goals, personal objectives, assessment and rewards? ■ That all relevant organisations and individuals throughout the performance delivery chain have been identified and agreement reached on the respective performance and reporting responsibilities for achievement against departmental objectives? ■ That individual performance appraisal happens for everyone at least annually and appropriate personal objectives and development plans are agreed? 	<ul style="list-style-type: none"> ■ That there are mechanisms in place that are effective in causing performance improvement, where needed, at any level in the delivery chain? ■ That the performance information routinely produced at all levels in the delivery chain is sufficient and timely to enable effective performance monitoring against all departmental objectives? ■ That effective action has been taken where necessary in order to ensure delivery against objectives? ■ That staff at all levels of the organisation, including any in other delivery partners, are clearly motivated, through having personal objectives aligned with corporate objectives, to cause the organisation to succeed?

3.8 Appropriate and timely performance information is available to all those who need it to support the delivery of the organisation's objectives.

What evidence is there:

EFFECTIVE	BEST PRACTICE
<ul style="list-style-type: none"> ■ That the level of detail and accuracy of information made available to individuals is relevant to their role and responsibilities? ■ That information includes both historic and forward looking measures? ■ That information is objective, accurate (sufficiently for decision making) and consistent over time? ■ That comparisons are made with external data, including benchmarks? ■ That information is provided to the appropriate people in time for them to take corrective action if necessary ■ That there is adequate consistency between the various transaction, control, information and reward systems – i.e. a “single version of the truth”? 	<ul style="list-style-type: none"> ■ That appropriate non financial information is available – e.g. customer satisfaction, staff performance and morale, service and process efficiency and quality, effectiveness of operational controls? ■ That comparisons are made with external data, including benchmarks? ■ That the appropriateness of management information is tested regularly with end users?

3.9 The organisation has a track record of delivering against its objectives.

What evidence is there that:

EFFECTIVE	BEST PRACTICE
<ul style="list-style-type: none"> ■ The organisation has met its performance and financial objectives over the recent past? ■ The organisation is perceived as having delivered what has been asked of it over the last three years? ■ There has been external recognition of the organisation's successes over the recent past? ■ The organisation achieves best value in its use of resources? 	<ul style="list-style-type: none"> ■ The organisation is clearly seen by others as successful and best in class?

3.10 There is an appropriate balance of experience, skills and qualifications for key post holders throughout the organisation.

What evidence is there:

EFFECTIVE	BEST PRACTICE
<ul style="list-style-type: none"> ■ That the organisation has appropriately qualified and experienced staff in all key posts? ■ That the organisation has a succession plan that is updated regularly and communicated to members of the organisation? 	<ul style="list-style-type: none"> ■ That the organisation assesses the skills requirements regularly and takes steps to address any mismatches with need?

3.11 Partnership working is encouraged and effective.

What evidence is there that:

EFFECTIVE	BEST PRACTICE
<ul style="list-style-type: none"> ■ People within the organisation are willing and able to work effectively with people in partner organisations where this is required to deliver cross-organisational objectives? ■ Partnering with others is encouraged where it makes sense? ■ Areas where shared and common objectives requiring partnership working have been identified and effective arrangements have been established to deliver such objectives? 	<ul style="list-style-type: none"> ■ Partnership working is delivering? ■ The organisation readily seeks out new partners so as to bring new skills and capabilities or best use of shared resources to help deliver its objectives?

Board Structures

B1.1 The organisational leadership structure is key

The panel members responsible for formulating the Top Performing Organisation model and the related Diagnostic, which will help public sector bodies assess themselves against that model, felt that the structure and behaviour of the Board was so fundamental that they decided to develop this separate piece of guidance and practical support. This was because panel members' experience of working with both commercial and government organisations consistently proved that, to be a strongly performing organisation, you need an effective Board. Their experience at client organisations was that, where performance was poor or significant problems had arisen, this was almost always traceable to a failure of the Board or of the corporate level governance and leadership of the organisation.

To become, and remain as, world-class, an organisation needs a strong and effective Board of Directors. No organisation will achieve high-level performance without a good Board. To illustrate this, there continues to be occasional high profile corporate failures where there is an all-powerful Chief Executive who is not properly governed and managed by effective executives and, more importantly, non-executive colleagues. There are also examples where organisations have delivered poor performance because the executive team has failed to be

adequately challenged by the NEDs. Sometimes, this has been exacerbated by the executive teams still being awarded sizeable performance bonuses by the non-executives. Finally, the relationship between the Chairman of the Board and the Chief Executive is invariably crucial. Many corporate governance experts suggest that the Chairman should always be non-executive so that he or she remains outside of the operational management of the business. Remaining in a non-executive capacity allows the Chairman to provide challenge to the executive team and to remain independent when it comes to facilitating Board meetings where business performance and planning is being debated. The Chairman should be able to "hold the ring" between the executives and the non-executives around the Board table and not be seen as "taking sides" on any issue until a proper Board discussion has been held.

Above are just a few of the many facets of Board structures and behaviours that are important in determining whether a Board of Directors is well-structured and doing its job effectively.

B1.2 What Board model fits the public sector?

Panel members' experience of working with public and private sector organisations was that there were real differences between the make-up and operation of the top Board. They also felt that deciding on the most effective Board structure and purpose was one of the key challenges facing government bodies, as the private sector model of a unitary Board, comprised of both executive and non-executive directors, may not be judged to fit well with government bodies. This may be because people hold the view that Ministers either should not get involved in departmental Board activity or are too busy to do so routinely. Some people will hold the view that the role of the Permanent Secretary as Accounting Officer inevitably means the Board has a secondary role to that post. Current practice is that Permanent Secretaries often chair the Board rather than this role being taken by a separate non-executive chairman. Boards across government vary enormously in their composition, skills and operation. Panel members suggest that the type of Board in an organisation could be classified into one of three models:

- The Unitary Board
- The Integrated Operational Board
- The Advisory Board

Each of these models is described below, together with consideration of the strengths and weaknesses of each. In considering each Board model, the panel members encourage

all those involved in government Board level structuring to think hard about what they want the Board to do – what roles and responsibilities will the Board actually be asked to take on – and this should then determine the type of Board that is established and its make-up. Private sector Boards apply much time and effort to getting the right people onto their Boards, particularly the NEDs. Skills and experience are critical. Having someone strong on strategy may not be necessary if the Board undertakes a more operational performance management and monitoring role. Here, having non- executives

with a strong track record of execution and delivery will be more important. So the three models are described so that readers can challenge their own Board structure and activity against them and perhaps re-assess what model or variant from the three models will best suit their needs and the role they want the Board to play.

is the Unitary Board model used by public companies in the UK and USA. This is most commonly a model where the NEDs outnumber the executive directors. Sometimes, the only executive Board members are the Chief Executive and the Finance Director. The Chairman is almost always non-executive. There is also a senior NED who serves as the lead director when issues of governance arise and a non-executive spokesperson is needed. The Unitary Board typically considers both strategic and operational performance and plans. The non-executives are expected to use their

B1.3 The Unitary Board model

So far as Board structures are concerned, perhaps the most familiar

B1.4 Key features of the Unitary Board model

POSITIVE	NEGATIVE / THINGS TO AVOID
<p>Simple structure Board fully accountable for all aspects of business strategy and performance Board involved in policy and strategy choices as well as delivery EDs and NEDs both involved in all decisions</p> <p>NEDs bring challenge to Board decisions and policy Broad role for NEDs helpful for NED recruitment Facilitates alignment of policy and delivery Ability to decide on trade-offs between EDs/DGs Ministers able to contribute Independent non-executive Chairman Mix of NED experience needed covering strategy and delivery</p>	<p>Ministers opting out of Board attendance Ministers don't allow Board to consider significant policy options Not allowing the Board to determine organisational strategy Marginalising the NEDs in decision-making and consultation Getting into too much detail on operational performance Not having an independent Chairman Not allowing NED constructive challenge Unfocussed, untimely Board information Overdominance by either EDs or NEDs Non-corporate behaviour Lack of clarity of responsibilities between Board and executive team</p>

broad experience to challenge the executives on current and future business performance and on strategic investment proposals and to add value to business plans and strategies. They are there to scrutinise and look after the shareholders' interests.

B1.4 Key features of the Unitary Board model

The panel members' experience of working with the Boards of government agencies and non-departmental government bodies

shows a closer relationship to the corporate Unitary Board model. It is obviously easier to apply this model to those types of body, particularly as Ministers are not routinely involved in direction of the body and there is invariably an independent chairman.

However, across the main government departments, panel members found it rare that the core features of the Unitary Board model were in evidence. Rather, they have found two other Board models more generally applied. The first is the Integrated Operational Board model and the second is the Advisory Board model.

B1.5 The Integrated Operational Board model

This model is seen most often in central government departments where non-executive directors sit on a Board with the Permanent Secretary, Director-Generals, the Finance Director and possibly some other senior civil servants. The NEDs are in the minority. There is no independent chairman, as often the Permanent Secretary will chair the meetings. The Board's focus is on operational performance and whether government policy objectives are being met. Rarely does the Board get involved in discussion on long-term strategy or considering the business case of different policy options. Ministers do not attend as a matter of

B1.6 Key features of the Integrated Operational Board model

POSITIVE	NEGATIVE / THINGS TO AVOID
<p>Simple focus on delivery and policy implementation No conflict with Ministers' role to determine policy</p> <p>Clear accountability of Board for delivery, not policy</p> <p>NEDs can bring insight into delivery issues</p> <p>Permanent Secretary can chair</p> <p>Board information can focus on performance</p> <p>Decisions about performance priorities and their resource allocation can be taken corporately</p>	<p>Getting into policy or strategy</p> <p>Not allowing the NEDs sufficient opportunity to challenge and contribute</p> <p>Insufficient meetings for the Board to monitor and affect performance effectively</p> <p>Ministers seek to get involved in delivery</p> <p>"Silo" self-protecting behaviour of Executive Board members</p> <p>Inadequate Board information on organisation's performance</p> <p>Permanent Secretary, as chair, fails to allow open debate and challenge on performance issues</p> <p>Some NEDs not attracted to this limited operational Board model</p>

B1.7 The Advisory Board model

routine, though they may occasionally. Meetings are only three to five times a year.

The benefit of this model is that the focus of the Board seems to be on delivery – that is, on achieving the policy targets and objectives set for the department by Ministers. Policy and strategy remain the domain of Ministers, in consultation with the Permanent Secretary and with the respective Directors-General for their policy area. Such discussions on policy options and strategy bypass the main Board grouping.

Panel members have found this model to work in some organisations, because of its clear single responsibility of managing and monitoring the operational performance of the organisation. Others, however, have seen a distinct lack of corporate behaviour within this Board model, because the reporting lines between Ministers and their respective Directors-General mitigate against open Board dialogue and the taking of a more corporate approach to resource allocation or performance management.

This model a department has identified and engaged some NEDs, but they are only consulted by management on an “as needed” basis. It is the executive team which is responsible for delivery and for performance monitoring. NEDs receive information but do not participate in formal, regular Board meetings.

B1.8 Key features of the Advisory Board model

POSITIVE	NEGATIVE / THINGS TO AVOID
<p>Executive team allowed to get on with the job of delivery without NED interference</p> <p>Avoids lots of formal Board meetings with outside Directors</p> <p>Recognises the challenge NEDs have of understanding complexities of government departments</p> <p>NEDs available to be used when they can best contribute</p> <p>NEDs do not have to attend too many meetings</p> <p>Time requirement of NEDs is not great and is more flexible</p>	<p>NEDs are marginalised and are there as token only</p> <p>Failure to draw on NED expertise</p> <p>Recruiting NEDs on premise they will be more involved in Board activity</p> <p>Claiming strong corporate governance and NED challenge is in place</p>

B1.9 Knowing which Board model you are operating

Panel members initially wanted to advocate adoption of the corporate Board model by government departments. This would require Ministers to be routinely involved in Board meetings. It would require the appointment of an independent chair person. It would require the Board's responsibilities to cover organisational strategy, debate about policy options as well as operational performance and delivery. The different senior stakeholders at the top of government organisations (Ministers and Permanent Secretaries) make this a difficult model to adopt in all cases. Hence, the panel members stopped short of recommending this model despite their seeing considerable merit in it for government.

Alternatively, panel members strongly advocate a better understanding by all those at Board level of the type of Board they currently have and why they have it that way. The three models discussed above are designed to facilitate this re-assessment of existing Board structures and responsibilities. NEDs can bring robust governance as well as a wealth of relevant business experience and perspective to organisations, if used well. They will not stay if they are used ineffectively and not given a chance to contribute their insight and knowledge. They will also not stay if they have been promised, when recruited, that they will be involved in key strategic discussion and decision-

making and they are then merely left to sit on what is effectively a performance monitoring committee. NEDs also bring a "check and balance" approach to the organisation through their scrutiny and governance activities. But again, they have to be given the right forum and information to exercise these effectively.

B1.10 The Board Chairperson

Who chairs Board meetings is also important in the panel members' view. The chair person will have a significant influence, not just on the Board agendas and timings of meetings, but also on the nature and tenor of Board discussion. Good chairmanship is an art, and not many people do it well. It is better if the chair person is not a senior executive, as key executive management will no doubt want to contribute actively to the Board discussion, probably making many proposals and expressing the views of management more widely. Ministers could chair, and probably would do so if present, whether formally designated or not. But panel members were keen to challenge government organisations to think seriously about not just their Board structure and operating model but also whether an independent chairperson would be beneficial. They also encourage public sector bodies to think hard about whether they are getting all they can from their

non-executives and whether those they have are non-executives that can genuinely make a real contribution to the business.

B1.11 The Non-Executive Directors

Virtually all government departments and agencies have actively recruited NEDs. Some of these are very experienced and successful corporate executives in their own right. Panel members' experience is that many of these non-executives have found the reality very different from that promised when first recruited. They have found themselves outside, and not brought into, the organisation to which they have been appointed. They do not receive good Board level information. Meetings are too infrequent to perform the role they have been asked to undertake. Board agendas are not focussed on the right things. The real decision-makers – the Ministers – are not involved in the Board deliberations.

A direct consequence of this failure to meet the expectations of the recruited non-executives is likely to be that, in future, there could be real difficulty in recruiting the strong, independent, NEDs that government needs. Word will spread that these positions are not worth taking on. The reputational risk of being associated with a department or agency that has a sizeable, well-publicised problem or

does not deliver on its objectives may be too great for the best non-executives in the corporate sector.

B1.12 Board openness

Having considered the need for greater openness and transparency by government departments and agencies above, panel members wish to encourage all boards to apply a much greater level of openness to all aspects of their affairs. There should be communication of Board business and decisions, both within the organisation and externally. This should cover the views of the Board about current performance as well as relevant considerations that sit behind decisions made. Greater openness of government will only happen if it starts from the “top of the office”. In local authorities and NHS bodies, the Board meetings are invariably held in public. Board meeting agendas and papers are routinely available, either on request or for downloading from the organisation’s website. This gives the public, service users and other stakeholders access to decisions made and to performance information which helps them to assess the organisation’s performance and direction. Panel members see no reason why central government bodies should not follow this more open and transparent style of leadership. In fact, there may be real positives, both internally and externally in openly sharing the

organisational issues and challenges and how these are being addressed. It could also be beneficial in allowing the electorate more insight into how our public sector is run. With declining interest in politics and electoral voting, any efforts to give more information to the public on how the public sector is performing and how it conducts its business can only assist in arresting this decline.

B1.13 Conclusion

In summary, all three Board models defined above are workable. In the panel members’ view, with the right arrangements in place, have the potential to deliver significant benefits. However, all require careful management and clarity of purpose to capture those benefits. Different models will suit different situations – for example, a poorly performing public sector organisation may want to establish a much more operationally focussed Board, with strong NEDs who have strong performance management experience, to restore the day-to-day performance of the organisation. This may have only a one to two year time frame and then need reconsideration once performance is returned to the level expected.

It is critical to understand what sort of leadership Board you want and need for the current performance and status of your organisation.

Most government departments probably describe their arrangements in terms closest to the Integrated Board model, but in practice, many operate much more like the Advisory Board model. This is because Board meetings are insufficiently frequent and information is inadequate for a proper contribution to be made to organisational performance management. Panel members recommend being as clear and realistic as possible about the intended Board model, in order to make sure it works in practice. It is vital to ensure non-executive Board members are chosen with the right skills and, most importantly, with a clear and specific understanding of the Board level role they are being asked to play.

Current challenges and how to respond

C1.1 Introduction

This third supplement is designed to share some practical steps to address identified current challenges. Panel members recognise that the journey of improvement in performance management is not an easy one, and often, it is difficult to decide what to do first. This supplement is not seeking to present an exhaustive set of guidance or ideas. Nevertheless, panel members wanted to make the material they had developed available to readers so that they may try and use them as they seek to tackle their improvement programme. The challenges and recommendations are organised under the six elements of performance management that the panels identified and have presented in their accompanying report – “Performance Management in the Public Sector– an external perspective”. These six elements are:

- Culture and Behaviours
- Leadership and Direction
- Systems and Information
- People
- Processes
- Organisation

C1.2 Change is not without challenge

To supplement their views on what performance management is and what a Top Performing Organisation looks like, the panels have identified a range of challenges that bear upon the ability of public sector organisations to deliver against the above top performance standard. The most critical are felt to be:

- Lack of clear vision and accountability – rarely does everyone in a public sector organisation have clarity about how their work contributes to its overall objectives;
- Lack of compulsion – high performance and innovation often stem from crisis, such as the very real risk in the private sector of redundancy, bankruptcy, or takeover. Comparable crises do not exist in the public sector. Despite the CSR07 implications on funding, the reality is that even if a PCT or local authority does get into financial difficulty those most usually affected are their top management. The wider organisation is rarely affected, and policy-making departments even less so.

Traditional, top-down driven, performance management remains important so that there is clarity and ownership from the leadership team. However, improving performance to the extent required needs to come from behavioural and cultural change, which will only come through engagement of, and with, every manager and staff member

throughout the organisation. To achieve this, appropriate levels of devolved responsibility and ownership are required.

C1.3 Table of current challenges and suggested responses

The panels have drawn on their collective experience of working with government organisations to set out the principal challenges facing the public sector in those areas. They have also added practical suggestions for readers to consider for action within their own business. These recommendations can be taken by any organisation seeking to improve its performance as a start point for how best to progress.

C1.3 Table of current challenges and suggested responses

CURRENT CHALLENGE	SUGGESTED RESPONSE
<p>Culture and Behaviours</p> <ul style="list-style-type: none"> ■ Bringing about change in behaviour is not like implementing a new IT system ■ Where behaviours are looked at it tends to be in a very analytical way developing behaviour frameworks ■ Changing behaviour is much more about emotional engagement ■ People cannot 'be changed' but need to change for themselves – they need an environment that fosters them in achieving this 	<p>Consider models such as:</p> <ul style="list-style-type: none"> ■ Authenticity – allow people to be themselves and to 'do the right things' ■ Empowerment – ensure that there is a framework of accountability and responsibility that rewards/penalises ■ Alignment – ensure that desired (and actual) behaviours are aligned to the organisation's strategy ■ Embed this in the way that you behave, from the top down – 'leading by doing' <p>or:</p> <ul style="list-style-type: none"> ■ Build trust ■ Manage conflict effectively ■ Demonstrate commitment ■ Embrace accountability ■ Focus on results <p>Identify and communicate the desired organisational culture – e.g. values, vision, expected behaviours. This needs to come from within, be defined by the leadership team applying their own context. Consider how these are then reflected in:</p> <ul style="list-style-type: none"> ■ how the organisation works and how it incentivises its people – move away from blame to support, from risk averse to risk managed; ■ how information/ evidence is used in the decision-making process – how readily is information sought and how is insight and innovation brought to bear; ■ how openness and accountability are evidenced throughout the organisation – performance management is not seen as a process but as a way of working.

CURRENT CHALLENGE	SUGGESTED RESPONSE
<p data-bbox="137 817 260 907">Leadership and Direction</p> <p data-bbox="323 817 754 1030">Leadership's role here is:</p> <ul data-bbox="323 851 754 1030" style="list-style-type: none"> <li data-bbox="323 851 754 936">■ To recognise that they are part of the current situation – change is not just for other people <li data-bbox="323 940 754 1030">■ To set direction and give up responsibility (while still being accountable) <p data-bbox="323 1064 722 1153">To trust others, allow freedom and choice, and stimulate innovation and creativity</p> <p data-bbox="323 1158 587 1187">Strategy in government:</p> <ul data-bbox="323 1191 738 1433" style="list-style-type: none"> <li data-bbox="323 1191 738 1247">■ is often done as an end not as a means <li data-bbox="323 1252 738 1308">■ is a bit motherhood and not used to drive what really happens <li data-bbox="323 1312 738 1397">■ is good intellectual stuff but is not always practical and capable of implementation <li data-bbox="323 1402 738 1433">■ lacks alignment with behaviour <p data-bbox="323 1467 754 1585">Leaders often see the behaviour and change issues as only applicable to the front line or middle management – not to the top executive team</p> <ul data-bbox="323 1590 770 1832" style="list-style-type: none"> <li data-bbox="323 1590 770 1646">■ Behaviour in exec teams is too political and lacks authenticity <li data-bbox="323 1650 770 1832">■ Leaders (and indeed almost everyone in an organisation) want to do a good job and almost always think they do. But people don't see what they don't see and self awareness is often lacking. 	<p data-bbox="821 817 1449 907">Find your own solutions for your own organisation. There is no silver bullet for this. There is no single guru. There is no one answer.</p> <p data-bbox="821 940 1453 1064">Work this through as a leadership team. This will not come from hiring consultants or outsourcing the problem – only the leadership can work this through. It has to come from within.</p> <p data-bbox="821 1097 1380 1153">Deploy an intervention for change to deliver a step change in performance. One that allows you to:</p> <ul data-bbox="821 1158 1453 1344" style="list-style-type: none"> <li data-bbox="821 1158 1453 1189">■ Look at performance management holistically <li data-bbox="821 1193 1453 1249">■ Explore the behavioural and cultural dimensions which lie at the heart of the issue <li data-bbox="821 1254 1453 1310">■ See the impact of your and the leadership's behaviour on performance management <li data-bbox="821 1314 1453 1344">■ Help you to see what you currently don't see <p data-bbox="821 1377 1433 1467">This intervention can start with a retreat, a two or three day workshop for the leadership team that has the following aims:</p> <ul data-bbox="821 1471 1444 1680" style="list-style-type: none"> <li data-bbox="821 1471 1444 1527">■ Identifying the goals for performance management in the organisation <li data-bbox="821 1532 1444 1617">■ Reviewing current performance management, for example using the diagnostic tool and/ or the CRs and relevant benchmarking <li data-bbox="821 1621 1444 1680">■ Identifying options for achieving the goals given the current state <p data-bbox="821 1713 1441 1769">Clarifying and agreeing actions relating to each element of the framework.</p> <p data-bbox="821 1803 1449 1892">Reach out to others to learn from experience – do not be a slave to case studies, but understand what lessons can be learned and reflected.</p>

CURRENT CHALLENGE	SUGGESTED RESPONSE
<p>Systems and Information</p> <ul style="list-style-type: none"> ■ Quality information is often lacking due to inconsistent usage, evolving system development and mixed requirements ■ Scale of systems change can be massive – e.g. large-scale legacy systems – requiring significant business change ■ Track record of IT delivery in the public sector is perceived as poor ■ Implementation often overlooks the behavioural change allied to understanding of the capabilities of the technology provided to be able to exploit full potential 	<ul style="list-style-type: none"> ■ Understand actual information requirements in relation to decisions required and operational delivery. Information should be collected once and for clear benefit of the organisation – e.g. 80% of local authority data is for central government purposes, 40% of a PCT’s senior management time spent on collecting information for other agencies ■ Horizon scanning to anticipate changing demands and ensuring systems capacity ■ Do not take on too much – break projects into manageable components that can delivery tangible benefits ■ Work with your IT suppliers to assess how much value has been derived from investments to date and to identify how more value could be realised – this could be facilitated through user groups ■ Understand data gaps and prioritise cost vs value decisions to address those gaps ■ Review how information is consolidated and analysed, and how systems best support that
<p>Processes</p> <ul style="list-style-type: none"> ■ High reliance on standard frameworks and ‘best practice’ without real understanding of how to tailor them to the specific context ■ Performance management processes often seen as tick box exercise, rather than a review and decision-making process ■ Business processes often separate to performance management – they need to become parts of one and the same process 	<ul style="list-style-type: none"> ■ Select a framework and approach and then stick to it ■ Be clear about Demands and Constraints and recognise, allow and encourage choice and ownership. Be tough on measuring the demands and on performance that does not deliver (comparison with the Bank of England who are required to manage interest rates in order to keep inflation within agreed levels) ■ Link framework with planning, budgeting and investment cycles/ processes ■ Avoid creating a separate set of processes and systems just for performance management – understand how it becomes part of the day to day for everyone. For example, data should not need to be re-keyed into different systems for different processes

CURRENT CHALLENGE	SUGGESTED RESPONSE
<p data-bbox="137 817 213 846">People</p> <ul style="list-style-type: none"> <li data-bbox="323 817 767 969">■ Lack of recognition of importance of operational roles – e.g. senior operational roles are not filled with managers of equivalent experience as their private sector peers <li data-bbox="323 974 738 1032">■ Emphasis on policy-led career path for senior civil service <li data-bbox="323 1037 692 1126">■ Lack of balance between micro management and devolved/empowered management <li data-bbox="323 1131 708 1189">■ Incentives not always focused on delivery excellence <li data-bbox="323 1193 767 1341">■ Under-performance rarely managed well – seems to be more difficult than in the private sector. This sends the wrong message to the rest of the organisation 	<ul style="list-style-type: none"> <li data-bbox="821 817 1442 943">■ Recognise all career paths and reward them equitably with advancement and pay – e.g. policy, operational, etc.; move from time-served to achievement based grading and rewards <li data-bbox="821 947 1422 1099">■ Do not try to broaden policy people by giving them some senior operational role or business leadership role for which they have no experience or capability, without the training – reflect this in the Professional Skills for Government (PSG) agenda <li data-bbox="821 1104 1161 1133">■ Develop succession planning <li data-bbox="821 1137 1453 1227">■ Do not confuse HR management (i.e. the role of the HR Function) with people management (the role of leaders and managers in the organisation) <li data-bbox="821 1232 1449 1357">■ Allow/ encourage more taking of risks so that people can grow and bring their own value to the organisation – e.g. flexibility in local decision-making by operational managers <li data-bbox="821 1361 1442 1420">■ Use management and performance information to set objectives and define accountabilities <li data-bbox="821 1424 1406 1482">■ Manage individuals' under-performance as well as good performance <li data-bbox="821 1487 1430 1576">■ Ensure consistent and effective application of competency frameworks in relation to incentives and the management of individual performance <li data-bbox="821 1581 1401 1671">■ Provide effective knowledge transfer – across the organisation and when engaging external support; provide for effective succession planning

CURRENT CHALLENGE	SUGGESTED RESPONSE
<p data-bbox="137 819 272 848">Organisation</p> <ul data-bbox="323 819 767 1189" style="list-style-type: none"> <li data-bbox="323 819 767 972">■ Lack of engagement by the delivery chain in setting departments' strategic direction and decision-making – might be consulted but rarely closely engaged <li data-bbox="323 976 767 1093">■ Functional and silo'd structures that will lack flexibility as accountability for delivery becomes more complex and distributed. <li data-bbox="323 1097 767 1189">■ Short-term decision-making resulting from frequent change in Ministers and movement of senior civil servants 	<ul data-bbox="823 819 1453 1245" style="list-style-type: none"> <li data-bbox="823 819 1453 880">■ Take a cross-organisational and delivery chain perspective of performance management <li data-bbox="823 884 1453 945">■ Ensure effective matching of the deployment, retention and training of people to organisational strategy <li data-bbox="823 949 1453 1010">■ Allocate clear accountabilities for specific outcomes/ performance levels from Executive to each level below <li data-bbox="823 1014 1453 1160">■ Establish a line of sight for performance from corporate centre to the front line. Ensure that there is alignment of end-to-end processes and service delivery with corporate priorities - as opposed to a functionally based perspective <li data-bbox="823 1164 1453 1245">■ Establish appropriate and consistent relationships with key stakeholders, including the rest of the delivery chain

C1.4 Ownership of Change

Although the above table provides a wide range of challenges and suggested solutions, the panels believe that improving performance management is first and foremost about addressing culture, leadership and behaviours. In the experience of the panel members, a high performance culture only comes about when:

- People do the right thing because they want to i.e. their values and behaviour are aligned with the strategy
- People don't just talk about performance – they live it
- The way in which high performance is realised is by being high performing in the way they go about it.

Gandhi said “You have to be the change you want to see”. The difficulty is that to start to change your culture requires you to do different things – you need to make a change to make a change – which often the old culture will reject. Are you personally prepared to make changes to how you do things to contribute to a more open and performance-oriented culture in your organisation?

C1.5 Where to Start Improving?

There is much literature regarding performance management frameworks and tools. Also, there is a ready source of access to effective technology and other performance

enablers. However, the panels feel that the cultural and behavioural aspects are central to effective performance management, and are often under-played within organisations. Technology, tools and methods cannot be imposed on organisations, or those working within them. Rather, it is for individuals to determine how they best adapt and deploy them in their specific context. The mix of political, quality and financial drivers in the public sector make this particularly challenging, but the benefits of “getting performance management right” will be considerable. Public expectation is that you will get it right. Consequently, panel members encourage all those in positions of responsibility across government to take up the challenge and become a champion for performance improvement.

C1.6 Next Steps

The panels could have continued their work to bring further ideas and greater robustness to its outputs. There will always be more that can be said and done on this fundamental topic of performance management in the public sector. However, it was felt that sufficient time and effort had been applied and that the panels thinking and ideas had reached a stage where it was best to summarise them and make them available to those who may derive value from the collective wisdom of panel members as set out in this report. Readers may

decide that some of the ideas set out herein may be worth pursuing in their own organisation. Panel members took the view that there was likely to be merit in the following options:

- A Diagnostic to help assess your current state – the tool set out in (Appendix 1, Supplement A), can be used either as a self assessment or through facilitated workshops and related methods;
- Facilitation, coaching support and guidance in how to change organisational culture and leadership behaviours ; and
- Reference points in terms of frameworks, tools, technologies and case studies.

Panel members commend the contents of this report to all public sector organisations and they and the wider advisory community are keen to provide any assistance that may be felt to be needed to enable every public sector organisation to reach the Top Performing Organisation standard set out above.

Advisory Panel members

HM Treasury would like to thank the following for their participation on the Financial Management Advisory Panels.

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