

CENTRAL GOVERNMENT AND FRONTLINE PERFORMANCE IMPROVEMENT:
THE CASE OF “TARGETS” IN THE UNITED KINGDOM

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For over a decade, there has been a dramatic expansion in use of non-financial performance measures for government organizations. (Talbot 2005) Often, governments have limited themselves to what may be called “performance measurement” -- choosing measures and reporting performance against them. This has frequently, though not always, been the case in the United States, when performance measures have been developed at federal, state, and local levels; it is, for example, all the Government Performance and Results Act of 1993 requires. In this situation, the words typically associated with the effort are “accountability” and “transparency.” Agency overseers, and the public, are made aware of whether performance is good or bad, and may then react accordingly (for instance, as with the Performance Assessment Review Team activities of the U.S. Office of Management and Budget, by increasing or decreasing agency budgets). Other times, government organizations have gone beyond performance measurement to “performance management” – using measures as a tool to improve performance along dimensions measured, not just record performance levels assumed to be unchanging.¹ The ability of performance management actually to improve performance is important for anyone interested in government working better.

A particularly ambitious example of public-sector performance management has been the United Kingdom under the Labour government since 1997, and especially after Labour’s first re-election in 2001. Starting in 1998, departments negotiated “public service agreements” with the Treasury (the budget ministry) in conjunction with budget settlements. These were quasi-“contracts” where departments agreed to produce a level of performance in exchange for resources. The performance levels were called “targets,” a combination of “a quantitative indicator of performance combined with a specified level of required attainment.” (HM Treasury

and Cabinet Office 2004: 11; see also HM Treasury 2004) Examples have included improvements in surgical wait times, student test scores, and commuter rail punctuality.

The subject of this paper is the role of central government institutions in contributing to performance improvement in situations where actual performance is delivered by dispersed organizations not part of organization headquarters. Thus, I am interested in the role of central institutions in improving police performance, as delivered by frontline police forces, but not in their role in improving the quality of agency environmental regulations, which is delivered by central government itself. (By “central government” in the U.K. are meant the Treasury, the Prime Minister’s office, and the Whitehall departments, such as the Department of Health.)

The gap between as-is performance and the performance level targets prescribe invites a move from performance measurement to performance management, in a way that simply establishing measures without targets (as has generally been the case in the U.S.) does not; if there is a gap between actual and desirable, one wishes to be perceived to be “doing something” about it. However, where delivery is local, performance management might be completely local as well -- managers (police precinct or local hospital management) might use measures as an improvement tool without any central involvement. But in some cases, central institutions have become involved in performance management: U.S. examples include the role of police headquarters in New York’s COMPSTAT crimefighting performance management system and of the mayor’s office in Baltimore’s CITISTAT. (Smith and Bratton 2001; Behn 2005)

A central government role in performance management has very much been the case in the U.K. since 1998. Each department established a central capacity for performance management. In 2001 the Prime Minister’s Delivery Unit (PMDU) was established -- in response to concerns departments had frequently not taken the 1998 targets seriously enough -- to work on

prime ministerial priorities involving targets in four departments (Health, Education and Skills, Home Office, and Transport), a modest subset of the total of 110 targets in 2004 for government, and only about half the targets for these four departments. The role of PMDU is partly to watch departments on behalf of the Prime Minister, partly to work with departments as a combined central presence vis-à-vis frontline units. The Prime Minister himself periodically has met with ministers responsible for priority targets, in events called “stocktakes.” In all, since 1997 central government in the U.K. has used performance management probably more aggressively than anywhere or time.² Using British terminology, central government involvement in performance improvement reflects a transition for these organizations from policymaking to “delivery.” Targets have also involved a considerable increase in central intervention in activities of local schools and police forces, which – unlike the relationship between the Department of Health and the National Health Service – was not traditionally considered a hierarchical reporting one.

This paper has both descriptive and prescriptive aims. Descriptively, it seeks systematically to present techniques U.K. central government has used for performance management, so we know more about what such units do when they become involved in this domain. Prescriptively, it asks whether these techniques appear likely to have positive effects on performance. Central government efforts might go wrong, interfering with the front line either uselessly or counterproductively -- in ways that simply spin wheels, generating costs without producing benefits, or actually making performance worse than had no intervention occurred.

The approach taken here to answer the prescriptive question will be to compare theory to practice. I begin by asking a theoretical question: through what kinds of activities is central government likely to play a useful role in adding value to frontline organizations, and through which is its role likely to be useless or counterproductive? The paper will then look at central

government's actual performance management activities. Central government will be judged to have good prospects for improving frontline performance to the extent efforts have occurred where they would be predicted to have the potential to add value, while avoided where predicted to be useless or counterproductive. This approach is like the one Peterson (1995) used in his evaluation of American federalism. However, this paper will not address the empirical question of whether, in practice as opposed to theory, central government efforts actually have improved frontline performance beyond what it would otherwise have been, a question that will be addressed, at least for one target, separately (Friedman and Kelman: unpublished manuscript).

This paper should also be seen in the context of a larger debate in organization theory. The question of the extent to which an organization should be is a classic one in literature on organization design. "The words 'centralization' and 'decentralization' have been bandied about for as long as anyone has cared to write about organizations." (Mintzberg 1979: 181) Nadler and Tushman (1988: 109) call the issue "omnipresent."

The empirical material on which this paper is based consists of 63 semi-structured interviews, supplemented by a brief written survey with fixed-response questions (generally using Likert-type scales). These were conducted during 2004 with civil servants (including managers) responsible for targets at PMDU and the four Whitehall departments PMDU covers (Health, Education and Skills, the Home Office, and Transport).³ 23 interviews were with PMDU staff and 22 with department staff, in both cases including higher-level managers supervising several targets. (Of 21 target areas PMDU monitored in 2004, interviews were conducted with officials responsible for 16.⁴) There were an additional eight interviews with officials in these four departments working on targets PMDU did not monitor, and ten with officials responsible for targets at JobCentres Plus, the agency running job search and jobless

benefit systems, and the Department of Environment, Food, and Rural Affairs. Both were chosen because they had targets that were delivered by local subunits⁵ but were not in departments PMDU monitored. Michael Barber, the head of PMDU, was also interviewed. Additionally, the paper also uses various written documentation on targets.

I

One may distinguish four roles for a central unit vis-à-vis lower ones: (1) decisionmaking, (2) monitoring/appraisal, (3) locus for investments in knowledge creation/transfer about good practice, and (4) visioning. The first two grow out of a hierarchical conception, seeing the central unit as the apex of a system of formal authority. The second two grow out of a locational conception, seeing the central unit as a node in a network.

The first two roles for central units received extensive attention in traditional literature on organization design, the third and fourth not. Neither the words “knowledge,” “learning,” nor “vision” appears in indexes of the classic books on organization design from the 1970’s. For traditional organization design literature, the question of how best to design an organization to process information to decide what to do was crucial, but the literature ignored questions of how to create and transfer knowledge. (Nonaka 1994: 14) Nor were leader roles other than making decisions or monitoring performance considered.

One explanation for the difference is that the first two roles fit naturally into a frame of the superior-subordinate relation psychologically grounded in the relationship of parent to child. Parental decisionmaking on a child’s behalf, and monitoring of the child’s behavior, both fit squarely into an image of the parental role. Stinchcombe (1990: 74, 96) argues that organization theorists have had a hard time seeing any managerial role other than as “people drivers.”

Another explanation is that attention in organization theory to issues of organizational learning and knowledge, and an increase in interest in the visioning role of leaders, products of the 1980's and 1990's, postdate the heyday of research on organization design between the 1940's and the 1970's, so design literature has not caught up with general organization theory. The increased importance of these issues in organization theory in turn may have occurred because these questions themselves have become more important for organizations, as the importance of developing new knowledge has increased for many organizations and changing attitudes towards authority have made it more difficult for leaders to lead by command.⁶ As we shall see, the suggestion a central unit can add value in the third and fourth areas is fairly uncontroversial. This means that the fact these areas are largely ignored in the design literature means that literature may underestimate useful roles a central unit can play.

Decisionmaking

In traditional design literature, the most important dimension of centralization is the level where decisions are made. "When all the power for decisionmaking rests at a single point in the organization...we shall call the structure centralized; to the extent that the power is dispersed among many individuals, we shall call the structure decentralized." (Mintzberg 1979: 181. See also Galbraith 1977: 19; Pugh et al. 1968: 76; Nadler and Tushman 1988: 110; Egelhof 1988: 133-34) One variant is for the lower unit to propose a course of action but require it be approved before the unit may proceed. (Mintzberg 1979: 158, 199-200; Goold and Campbell 1987: 43) One possible role for central government in performance management would therefore be to approve, or make itself, decisions about how local units go about improving performance.

The literature presents several arguments for why centralizing decisions can produce better decisions. The most elementary – though seldom stated in so many words -- is the

argument that people at the top are generally smarter. If promotion is approximately meritocratic, talent should increase as position in a hierarchy increases, creating an argument for centralized decisionmaking. “(C)entralization,” argued Fayol (1949: 33; see also Urwick 1944: 81) in his classic text, “belongs to the natural order; ...in every organism, sensations converge towards the brain or directive part, and from the brain or directive part orders are sent out which set all parts of the organism in movement.” Frederick Taylor (1967: 103) argued for what he presented as the paradox that a central expert could do a better job figuring out the best way to design a task than one doing the task every day. “When men, whose education has given them the habit of generalizing and everywhere looking for laws, find themselves confronted with a multitude of problems, such as exist in every trade and which have a general similarity one to another, it is inevitable that they should...search for some general laws or rules to guide them in their solution.” Second, people at the top have a broader view of the interests and needs of the organization as a whole, including coordination needs, while those lower down might have a more parochial outlook. Third, since those at the top of the organization bear ultimate responsibility for its success or failure, they have a greater incentive to attend to making good decisions than those lower down, who bear less responsibility.

But the literature notes, perhaps with greater force, problems centralized decisionmaking creates. These are of three sorts. First, information-transmission and cognitive limitations prevent even the smartest central decisionmakers from being able to make any significant proportion of decisions themselves. (Mintzberg 1979: 182-83) The information central decisionmakers need to make decisions can quickly overwhelm a central unit. “How can the president of the conglomerate corporation possibly learn about, say, 100 different product lines? Even if a report could be written on each, he would lack the time to study them all.” (Ibid.: 182)

Second, lower units are “closest to the work being performed” (Nadler and Tushman 1988: 110) and thus may have the information needed to decide how to cope with their specific problems more readily available than the central unit.⁷ Third, centralization, by reducing local autonomy, reduces motivation and effort: “(f)or individuals, decentralization may provide the opportunity for more enriched jobs and better internal motivation.” (*Ibid.*: 111; see also Mintzberg 1979: 183; Hackman and Lawler 1971) And if decisions will be made higher up anyway, local people are likely to put in less thought and energy to coming up with answers themselves.⁸

In the specific context of central government organizations in general and British ones in particular, there are also grounds for skepticism about whether top officials (senior civil servants and ministers) are likely to be good at making decisions about how best to promote subunit delivery. Traditionally, most activity of central departments, and of ministers leading them, has involved policymaking, not delivery. Unlike senior managers in business firms, few central government officials have traditionally had much experience on or near the front lines of their organizations. Efforts have been made, with some success, to redirect the interests of senior central officials to issues of delivery, but this has certainly not been painless. (When Margaret Thatcher first tried to get ministers to become “chief executives in their ministries as well as policy-makers-in-chief,” her plea at a cabinet meeting was met with “ennui and distain”; ministers believed “they had enough to do without becoming managing directors of some of the country’s largest businesses too. It was not what they joined up for.” Hennessy 1989: 667-68) There are certainly grounds to wonder whether central unit officials have any natural advantage over lower ones in making decisions about how best to achieve delivery.

An alternative to case-by-case central decisionmaking that still preserves central control is central development of rules lower units must follow. (Mintzberg 1979: 83) This can help

with decision overload, but not the other problems. If there is not “one best way” (to use Taylor’s phrase) to respond to a situation, at the level of granularity the rule envisions, using centrally developed rules to direct behavior creates problems. Rules also create the same demotivation problems as case-by-case central decisionmaking.

Central decisionmaking, then, is problematic – the central unit role most likely to subtract rather than add value to local performance. But there is nonetheless an itch to impose decisions centrally. “Perhaps the most common error committed in organizational design is the centralization of decision making in the face of cognitive limitations. The top managers...see errors committed below and believe that they can do better.” (Mintzberg 1979: 183)⁹ Since top managers are the ones who make organization design decisions, they tend to overcentralize, which also happens to expand their personal power. (cf. Miller and Droge 1986)

Monitoring

The idea that the central unit should monitor and appraise behavior of lower units is also intuitive, part of the basic structure of hierarchy. “The right to measure...results, and to specify what results are satisfactory...is the central component of managerial authority. ...” (Stinchcombe 1990: 58) Monitoring and appraisal can improve performance in three ways. First, monitoring may cause people to work harder and more effectively. (“Conscience,” H.L. Mencken once said, “is the still small voice telling us somebody may be watching.”) Second, if an important way measurement improves performance is by focusing attention on the measured dimensions rather than on other activities deemed less important (“what gets measured gets done”), monitoring is a crucial way to drive such focus. Third, monitoring is a precondition for application of incentives provided based on performance.

Monitoring generally occurs through ex post reporting of activities undertaken and/or of performance against measures the central unit has established. In Good and Campbell's study (1987: 40, 43) of managing diversified businesses, all firms submitted performance data at least monthly to headquarters. Central government monitoring of subunits has a long tradition, but it traditionally centered on activity reporting. Central performance management should thus be seen as an evolution, and perhaps intensification, of this tradition. If central government plays any role in performance management, it will likely at least monitor subunit performance.

When central units seek to monitor performance, they also typically become interested in the quality and comparability of the data provided. Chandler (1962: 60-61, 107, 145) provides examples from companies he studied of central unit efforts in this regard. For example, at GM the "general financial staff...concentrated on developing data...essential to the general office if it was to obtain some sort of administrative surveillance over the many divisions."¹⁰

In the design literature, monitoring/appraisal is seen as less problematic than decisionmaking. Indeed, a classic view has been that ex post monitoring using performance measures can substitute for ex ante central control over decisions, providing units with greater autonomy. "Instead of specifying specific behaviors through rules and programs, the organization specifies targets to be achieved and allows the employees to select behaviors appropriate to the target." (Galbraith 1973: 13-14; see also Mintzberg 1979: 151)

However, close monitoring, particularly mixed with appraisal, creates resentment. (Gouldner 1954: Ch. 10-11; Etzioni 1975: Ch. 1-2) Resentment creates, at a minimum, political pressure from subunits to reduce or even cease monitoring, particularly in public organizations where one may also bring political pressure from media or opposition groups. (In both the U.K. and the U.S., teacher unions have, for example, sought to stop school testing and associated

monitoring of school performance.) This may mean that monitoring increases become self-limiting or even may threaten the political viability of performance management.

Additionally, if close monitoring was not expected when people began working for the organization, and gets introduced afterwards, this may produce a sense of violation of a social contract at work, reducing employee morale, motivation, and commitment, which in turn can depress performance. (Cameron 1994: 199; Kets de Vries and Balazs 1997: 18-19; Bewley 1999: Ch. 4, 13) Third, both punishment, and, less intuitively, also extrinsic reward may reduce intrinsic motivation among those with an intrinsic orientation to their organization's public-service mission. (Deci and Ryan 1985; Deci et al. 1999) A decline in intrinsic motivation counteracts the positive effects of incentives on producing behavior the central unit seeks. (cf. Frey and Oberholzer-Gee 1997) In a worst-case scenario – if incentives for performing as the central unit wishes are weak, but nonetheless succeed in creating significant resentment and/or reduction in intrinsic motivation – monitoring/appraisal might actually make performance worse. Given this, the chances monitoring/appraisal will add value are increased if the central unit undertakes efforts, such as visioning (discussed below) emphasizing local unit public-service orientation, to counteract these effects.¹¹

Locus for Investments in Knowledge Creation and Transfer

Since the classic literature on organization design was written, considerable interest has appeared in organization theory in the so-called “knowledge-based theory of the firm” and in organizational learning. According to the knowledge-based theory of the firm (Grant 1996: 112; see also Kogut and Zander 1992 and Brown and Duguid 1991), “the critical input in production and primary source of value is knowledge.” Organizations should be seen as systems of “knowledge production and application.” (Spender 1996: 59) Nonaka (1994: 15) argues that an

“organization should be studied from the viewpoint of how it creates information and knowledge, rather than with regard to how it processes these entities.” Organizational learning involves both knowledge creation and knowledge transfer to organization members (Huber 1991: 90). Knowledge creation typically occurs through experience, either unintentionally or through formal organizational self-appraisal of lessons experience teaches. (Ibid.: 91-96) Knowledge transfer is intended to “(lead) to more broadly based organizational learning.” (Ibid.: 101)

In this view, an important reason firms exist in the first place is that it is easier inside an organization’s boundaries to select practices appropriate to producing collective value and transfer these among organization members: communication is easier within an organization’s boundaries (Hansen 1999), and it is easier to move people from one place to another. (Argote and Ingram 2000) From this perspective, a role for the central unit not noticed in traditional organization design literature appears. And indeed, modern theorizing on how the multinational corporation can benefit individual units sees “a significant role...(in) knowledge creation and transfer.” (Hedlund 1994: 87)

Information is, in an economic sense, a public good, like national defense or clean air. (Scotchmer 2004: Ch. 2) The marginal cost of using it, once produced, is close to zero (so, absent patent protection or other way of keeping it private, individual organizations can’t make a profit selling it), and its use by one party doesn’t preclude its use by others (nonrivality). This creates a collective goods problem for getting information produced in the first place -- individual parties (such as organizational subunits) have an incentive to free ride, consuming information others produce rather than investing to produce it themselves. But, of course, if everyone reacts this way, no information gets produced. Central provision -- by government on

behalf of citizens or, in this case, by a central unit on behalf of subunits – is the classic solution to this free rider problem. (Stokey and Zeckhauser 1978: 305-19)¹²

Classically, knowledge is created centrally by research conducted at the Center. However, knowledge may also be created as a byproduct of monitoring. “One of the clearest and most pervasive forms of organizational search is performance monitoring.” (Huber 1991: 99) Monitoring reveals successful and less-successful performance; a central unit may then compare practices of successful and less-successful subunits to draw conclusions about effective practice.

There is also an appropriate central role in knowledge transfer, based on a central unit’s status as a node to which subunits are linked. (Winter and Szulanski 2001) If knowledge transfer is vertical down a hierarchy, it can be communicated through existing channels for hierarchical information flow. One study (Argote 1999: 164, 174) noted that during World War II shipyard central offices “stationed engineers, inspectors, and auditors...to share information about ‘best practices’” with newly established yards. Although there are reasons knowledge generally can most easily be transferred within small groups – because of common language, collective experiences, and trust (Kogut and Zander 1992: 389; Zander and Kogut 1995: 78-79) -- there are also circumstances where it may be easier for people to seek advice from a central unit than from colleagues, because one may feel embarrassed to reveal uncertainty to peers or supervisors, and because advice requests create obligations. (Allen 1977: 192-93)

A central unit has a role even when transfer is horizontal across subunits. A central unit’s status as a node makes it well-positioned to build an “infrastructure for interpersonal ...communication.” (Hedlund 1994: 85) They also help create a common language across subunits, which eases transfer (Kogut and Zander 1992: 390. Finally, central leaders are well-

positioned to create an organizational culture counteracting knowledge hoarding arising from interunit competition. (Bartlett and Ghoshal 1993: 34)

A knowledge-creation approach may produce a re-emergence, through the backdoor, of a central decisionmaking role through directives about what approaches local units should follow. In this view, central units may ab initio be poorly placed to make decisions for subunits, for reasons the critique presented earlier suggests. However, central units may develop good knowledge over time, for reasons discussed here. Rules may then be a way to codify knowledge that has been created, facilitate its transfer, and make it less subject to being forgotten when employees turn over. (March et al. 2000; Adler and Boryn 1996; Argote 1999: 72, 75)

Two things should be noted about this argument. First, with this argument the justification for central decisionmaking moves (as Spender 1989: 23 notes in discussing Taylor) from “arbitrary power” to “scientific knowledge” – alternatively put, from hierarchical authority to network location. Second, caution is called for in any move from sharing to imposing knowledge. To be sure, knowledge codification using standard operating procedures is common, and often useful. And there is evidence that local knowledge becomes easier to transfer to other units, and is less likely to be forgotten, when written down as routines. (Argote 1999: 75, 88) But there is also a tendency to impose practices with insufficient evidence they work, or to impose them universally though they work only in certain situations or only when applied with certain specific features (beyond the scope of the imposed requirement). (Lawrence and Lorsch 1967); Light 1984: 20-26, 52-54) In such situations, subunits may be set marching off a cliff. The general tendency to positive illusions (Taylor 1988) -- believing one is above average, in this case overestimating one’s ability to draw conclusions about what practices work well¹³ -- combined with specific conceits of people in central units (the kinds contributing generally to

inappropriate centralization) suggest the Center will be too quick to take snippets of knowledge and codify them into directives. There is another danger of central directives. Information about what works is “inevitably distributed throughout all the different communities that make up the organization,” because subunits are constantly engaged in practice. Central directives may “(curtail) the enacting in its midst” through local variation. (Brown and Duguid 1991: 53)

Over and above any problems when a central unit codifies knowledge into directives, the role of the central unit as a locus for knowledge creation and transfer is not fully unproblematical. The main danger, recognized in the literature on central staff, is that “the central functions take on a life of their own and grow, without regard to the needs of the businesses they serve,” creating “diseconomies of empire.” (Goold and Campbell 1987: 22) Also, when the free-rider problem for knowledge is solved by central knowledge-creation, this will reduce local knowledge-creation activities that might otherwise have occurred despite the public-good nature of information (perhaps because subunits believed they could partly keep such knowledge for themselves). This gives the ability to create knowledge centrally a self-limiting character, since such knowledge is partly based on observing and comparing local practices, which in turn at least in part reflect local investments in knowledge-creation.

Visioning

In Leadership in Administration, Selznick argued (1957: 17, emphasis in original) that to transform an organization into an institution meant “to infuse it with value beyond the technical requirements of the task at hand,” turning it for the individual member “from an expendable tool into a valued source of personal satisfaction.” Selznick argued that one of the main roles of a leader was to promote such infusion of value by establishing and articulating an appealing mission for the organization. Leaders should “state, in the language of uplift and idealism, what

is distinctive about the aims and methods of the enterprise. Successful institutions are usually able to fill in the formula, ‘What we are proud of around here is....’ (Ibid.: 151, see also 27-28) Although Selznick wrote before the upsurge in work on organizational design in the 1960’s and 1970’s, his argument about a visioning role for leaders was ignored in that literature, which tended to see leader roles more in the tradition of Gulick’s (1937) POSDCORB acronym.

A rekindling of interest for a visioning role of leaders occurred during the 1980’s and 1990’s. Seeing an organization as a “system of shared meanings,” Pfeffer (1981: 4) argued that “it is the task of management to provide explanations, rationalizations, and legitimation for the activities undertaken in the organization”; in a typically pithy phrase, Weick (quoted in Pfeffer 1992: 284) suggested “the appropriate role for the manager may be evangelist rather than accountant.” Kotter (1990: 73, and generally Ch. 5) refers to one of a leader’s roles as “motivating and inspiring”: leaders should work to satisfy “very basic human needs for achievement, belonging, recognition, self-esteem, a sense of control over one’s life, living up to one’s ideals, etc. by...articulating again and again a vision in a way that meets the key values of the people being communicated to.” Burns’ (1978: Ch. 2) discussion of transformational leadership emphasizes a leader role in presenting an appealing moral vision.

Bartlett and Ghoshal (1993: 38-40) applied the leader visioning role to design of the multinational corporation. The chief executive should intervene “to define a...common purpose” and “(provide) the organization with a sense of ambition that...legitimizes the company’s stretch targets.” One would expect a visioning role for leaders to be even more important in public organizations. The presence of public-service motivation (Crewson 1997; Houston 2000) and commitment to mission-attainment among many public-sector employees creates more fertile

ground for visioning. And leaders have less ability to offer incentives to subunits than do private organizations, so visioning becomes a more important part of the leader toolkit.¹⁴

A visioning role of leaders has implications for performance improvement via targets. One way establishing a goal improves performance is by motivating people. (Locke et al 1990) As the leading students of the impact of setting goals state, “The goal-performance relationship is strongest when people are committed to their goals.” (Locke and Latham 2002: 707) Thus, the more leaders can associate targets with an appealing vision of public-service motivation and mission-attainment, the greater their motivating force is likely to be.

This role for a central unit is also relatively uncontroversial, though some might feel uneasy – fearing autonomons or cultists -- about an organization’s values getting too deeply into it members’ heads. (Whyte 1956; on Amway as company-cum-cult, see Butterfield 1985)

Where Can Central Government Add Value?: Conclusions from Theory

The preceding discussion suggests that central government efforts are most likely to add value to local performance when they involve knowledge creation/transfer about good practices and leader visioning. Regarding the former, central government should be cautious about codifying new knowledge into directives. Central government monitoring/appraisal also may generally make sense, though it are more likely to work if mixed with visioning to counteract negative effects of resentment and intrinsic motivation displacement. And the area for greatest caution is central intervention in subunit decisions about how to improve performance.

II

What have PMDU and departments done in practice?

There are standard activities PMDU undertakes for all targets, and additional ones common to targets (about two-thirds of those PMDU covers) where delivery occurs through subunits such as schools and police forces. Together, these may be seen as PMDU's technology.

(1) requiring departments to prepare "delivery plans" explaining how they intend to reach the target and laying out "trajectories" for performance improvement over the target's life;

(2) making sure that frequent, current data exists on performance (including data on performance of subunits where delivery occurs that way);

(3) periodically monitoring performance data, for discussion both with the department and upwards with the Prime Minister (and, where delivery occurs through local units, sometimes serving as a basis for comparative "league tables," or for incentives or punishments);

(4) systematically seeking to understand the delivery production process better and develop (directly and/or via department-level units) "best practices" for improving performance;

(5) where delivery occurs through subunits, identifying poorest-performing units and undertaking special measures to improve performance, involving both heightened monitoring and heightened efforts to provide them knowledge.

Many features of the PMDU technology – including local plans submitted to central government, trajectories, and subunit comparisons combined with special measures for poorly performing units -- grew out of Michael Barber's experience at Education between 1997 and 2001 in charge, as head of a newly established School Effectiveness Unit, of targets for improving reading and math performance for primary schools. Because central government was giving schools additional money, it wanted to know on what it would be spent – hence delivery plans. Under the previous Conservative government, legislation had been passed allowing central government intervention to replace the management or shut down badly performing schools;

Barber wanted to change the punishment-only approach to a – more Labour-style – approach he named “pressure and support,” later rebranded as “challenge and support.” (Barber interview)

When PMDU became involved in working on a new target – as with a target to improve satisfaction of victims and witnesses with performance of the criminal justice system, or establishment of a system to allow patients (via their general practitioner) to choose hospitals for surgery, it reproduced its existing technology for the new problems. For victim/witness satisfaction, the Home Office announced in 2004 requirements for local delivery plans, established new performance indicators (such as percentage of crime victims reporting satisfaction with how police kept them informed on progress of the case), new data collection, via a special survey of crime victims (with a large enough sample to provide local-level data for comparison), and production of “a series of toolkits...(to) be offered to local boards to give practical help” improving performance. (Office for Criminal Justice Reform 2004: 15) PMDU’s instinct has been to fit its role into its technology, even when this is difficult. PMDU wanted Transport to collect traffic congestion data by local area, to facilitate comparisons, while Transport felt such an approach was inappropriate. In working on rail punctuality, PMDU was stymied by difficulty dealing with a monopoly private track infrastructure provider with partial responsibility for target attainment and train operating companies with government contracts that did not include punctuality targets. Eventually – after persistent failure to meet the target – the strategy became to get ministers talking with company executives to substitute for inability to use traditional techniques: ministers persuaded company officials to agree to performance improvement trajectories and to submitting regular punctuality data (available publicly through the British Freedom of Information Act and thus for the media for league tables). Later, the minister began personal meetings with heads of the poorest-performing firms. In working on

reducing asylum, not mostly delivered through subunits, PMDU took the one element of the delivery chain with subunit delivery (13 “local enforcement areas” in charge of removals of people whose asylum application had been denied), and established its technology there.

Decisionmaking

At the beginning of any target period, PMDU originally required departments to submit a delivery plan for each PMDU target. The plan discussed measures to achieve target delivery, along with trajectories and “milestones,” which were activities departments would undertake. Formally, PMDU did not need to approve plans, but PMDU typically made comments and often requested plans be resubmitted, often more than once. PMDU eliminated this requirement in 2005, stating that departments had learned how to do these on their own.

Three of the four departments with PMDU targets have developed similar arrangements with subunits. In Health, each of the 173 local hospitals and 303 local primary care trusts prepares an annual “local delivery plan,” providing local targets tied to the national ones (and to the local unit’s starting point), and performance trajectories over the year. These are aggregated by the 28 Strategic Health Authorities into plans submitted to the target management unit in Health, which the department must approve – a discussion/negotiation process typically taking about six months. In the Home Office, local police forces (for crime) must present local targets and plans for how they intend to meet them. Education requires each school to develop an annual plan including targets, which in turn serves as the basis for local authority plans submitted for approval; approval requirements were eliminated in 2004. The only department with PMDU targets not to require local plans is Transport. (According to one interview, “It would not be appropriate to ‘micro-manage’ the work of delivery partners, particularly if in the private sector.”) By contrast, neither JobCentres Plus nor Environment (for recycling) requires local plans;

Environment requires them for air quality only for local authorities not meeting the target, but they do not need to be approved centrally.

Additionally, PMDU quasi-imposed some specific practices on local delivery organizations with considerable frequency. In all, my best estimate is that for seven of 16 PMDU targets examined, at least some specific practices were imposed (though, in general for many these targets, other practices were only recommended). It appears, though numbers are small, that practices were less likely to be imposed for non-PMDU targets: for the eight other targets examined, for only one were any practices imposed.¹⁵

“Quasi-imposed” means the practices were not legally required, but organizations were told formally or informally they were expected to use them. For truancy:

We went out and said, “What is the [local educational authority] doing to make this work? What are the schools doing?” We really pushed to tease out the 20 most important things. We produced a product out of that work that was two powerpoint slides that just said, “Do these things and you will get it right.”

For drug treatment, subunits were told, “Here are the four or five things you need to do.”

The prototype for imposition Barber’s efforts regarding primary school education during the first Labour term. While Labour was in opposition, it commissioned Barber, then a professor, to lead a Literacy Task Force. The group’s report (Institute of Education 1997) proposed that all schools adopt a teaching framework based on the phonics method of teaching reading. As implemented, practices were imposed at a great level of detail, including a “literacy hour” each day and detailed curriculum direction, including when material – down to the level of teaching about semicolons – was to be introduced. Following introduction of the “National Literacy Strategy” (and a corresponding one for math), student test scores improved noticeably.

In some cases (not counted as examples of imposed practices for the calculation above), practices were quasi-imposed only for the worst performers:

Managers in charge of a well-performing [health] trust are in a position to “put two fingers up” at [central government if the] recommendations that are considered to be rubbish. The first trust at which I worked was doing rather well, so we were in a position to ignore its recommendations. But when one is in trouble one has to accept its word.

Other times practices were only recommended. One PMDU interview described the approach for his target as: “Well, here’s some ideas. We have done some work. This is what we think you should do.” I discuss below¹⁶ a policing strategy for reducing violent crime that central government developed. Those developing the strategy, however, chose explicitly to regard their ideas – which had been subject to no empirical test – as only a “hypothesis.”

You have got to test it. It is only a hypothesis. We put the early intervention idea forward as a proposition. And people agreed that it was a proposition that was worthy of testing in reality.

It was important for us to do that in such a way that it wasn’t us coming up with the solution. The solution is out there – it is in the hearts and the minds of the people who do this everyday. It is facilitating that response, facilitating that solution. We held we called “good practice workshops.” We said, “Around this table, we now have 50 of the best and brightest police representatives. We don’t care what level you are at. We don’t want any nametags, epaulettes, come in casual clothes, everybody is going to be treated the same, the bobby on the beat that has better ideas than the chief constable, and we are going to mark up an operating model that we are going to ask each of you to implement.

At the end, they all signed up to this operating model, and they all agreed that they would implement this model over a series of three weekends, and that we would look at certain performance measures to see if it was impactful.

Similarly, the National Institute for Clinical Excellence, in the National Health Service, has started developing evidence-based protocols for treating heart disease, and various cancers, (e.g. National Institute for Clinical Excellence 2004); these are explicitly called guidelines.

There is evidence from the fixed-response survey that PMDU staff are more likely than department or Treasury officials to be oriented towards imposing practices. (Table One)
Compared with Treasury and department staff, PMDU officials were less convinced of the

commitment of front line staff to targets. They were also less likely to believe targets were made tougher during the most-recent target review.¹⁷ Both responses reflect greater skepticism about lower-level willingness voluntarily to embrace performance improvement using targets.

As noted above, when practice imposition is based on a central knowledge-gathering role rather than simply the greater abilities of the central unit, such imposition is on the extreme of a continuum involving a central role easier to justify than for central decisionmaking. At a number of points in the 1997 Barber report on teaching reading (e.g. ibid.: 18, 20), there were specific reference to the evidence for the proposed approach. For all but one of the PMDU-imposed practices, the person being interviewed mentioned an evidence base for the practice.

Monitoring

Central government's monitoring role was mentioned in virtually every interview. Interviews were replete with accounts of meetings where performance data was presented and discussed. "We don't bang the table and berate people. We ask them how they will solve their problems." (Barber interview) At JobCentres Plus:

Job entry performance is actually measured weekly, so we can measure week by week how we're doing. I report to a JobCentre Plus board to say this is how we're doing against all those targets, and then all the ones where we don't look like we're doing that well, we would summarise action in place, which is either done through a head office function, so putting in place better guidance, procedures, processes, people actually going out and talking to frontline people about what their obstacles are. Or we get reports bottom up from the field saying, "This is why we think we're slightly off track, but we still think this target is doable and this is the trajectory we think we should be on." Or, again at a management board level, we'd look around the table and say well, what is the HR director doing to enable this, or what is the chief operating officer doing to increase performance.

For all targets, PMDU gets monthly reports from each department, with numbers and a narrative of key events. PMDU also prepares an assessment for the Prime Minister of status for the target. The assessment follows a standard format, using a traffic light summary – red,

yellow/red, yellow/green, and green -- for each dimension of the rating and for overall performance. (PMDU N.D.#1) PMDU also makes available inside government a “league table” rating overall status for all its targets, so performance can be compared across them. The higher-visibility the target, the stronger the monitoring. For an important target, one interview stated, “We say, ‘Let’s check what the results are each week, let’s put a note in to the prime minister saying how we are doing each week, let him chair regular meetings.’”

Departments in turn hold their own regular monitoring meetings. Health and the Home Office hold monthly meetings (for Education, they are quarterly), chaired by the permanent secretary,¹⁸ to discuss target performance with (in the case of Health) directors of Strategic Health Authorities and (for Education and the Home Office) with civil servants owning each target.¹⁹ Transport holds a meeting only for rail punctuality (with the junior minister for railways). The Health meeting includes only PMDU-monitored targets; Home Office and Education ones all targets. Such meetings also occur at JobCentres Plus, but not Environment.

As part of monitoring, PMDU in many cases (such as crime, drugs, traffic congestion, public satisfaction with the criminal justice system, emergency room wait times, choice in booking a hospital, and school attendance) required departments to begin collecting new performance data and/or to increase collection frequency for existing data. Previously, drug treatment data was eighteen months out of date, while school attendance data came only once a year. When central government stepped up attention to the emergency room wait target, hospital data began to be submitted weekly. By contrast, interviews made no mention of any central role to increase data standardization or quality (the latter task left to auditors).

Data improvement was often the first action PMDU took. “You can’t run a program with data months in arrears. It needs to be closer to real time.” (Barber interview) One argument,

repeated in many PMDU interviews (but never, explicitly, by department officials) was that frequent data was needed if it was to be used to improve performance.

It is very hard for them to say, “No, we are doing great things.” Because we say, “Well, the numbers aren’t moving.” So that’s our real key that unlocks change. Saying, “It’s not happening. It’s not that you are not good people, it’s just not happening.” So I think it’s creating that sense of urgency, transparency.

Additionally, frequent data allowed measuring the impact of performance improvement interventions. (One PMDU staffer working on education argued that one reason it was more difficult to improve educational performance was school test data were available only annually.)

What were the perceived functions of monitoring?

(1) Rewards and punishments: For eight of the 16 PMDU targets examined, incentives (rewards and punishments) were tied to target attainment. (By contrast, this did not occur for any non-PMDU targets.²⁰) For three, financial rewards were established. In early 2004 Health announced that hospitals where 94% of emergency room patients were treated within four hours by May would be given a lump-sum grant of 100,000 pounds. Physicians were given cash for placing patients at-risk for certain diseases in registers to be used as a basis for clinical interventions. Schools were given a cash payment for improved test results.

In other cases, local managers were told they could be fired for failing to meet targets. The highly visible target for reducing surgery wait times became known as a “P-45 target” for hospital chief executives, referring to the form used to fire people. (“Now that sounds very draconian,” a Health interview stated, “But, you know, it has really influenced managerial behavior if not clinician’s behavior.”) The Home Office increased its authority to dismiss local police chiefs for poor crime performance.

Interestingly, in the early days of this ...one of No.10’s expectations around embedding this performance regime is, “So how soon are you...” not necessarily going to “sack a chief” -- they’d never put it as crudely -- but, “How soon are you

going to use the formal powers of intervention that might then trigger sacking a chief?" That for them seems like a totem of our seriousness of how we took it.

Education experimented with various programs (with names such as "Fresh Start" and "Three Strikes and You're Out") to dismiss principals or close seriously underperforming schools.

(2) Creating a sense of urgency about performance: PMDU interviews were considerably more likely than department ones to conceptualize this role. 12 PMDU interviews, compared with only two with department officials responsible for PMDU targets (and none among those with people responsible for non-PMDU targets, nor at JobCentres Plus or Environment), made comments to this effect. Delivery organizations "have to take (meeting targets) seriously," stated one PMDU interview. "If they're not going to take it seriously, they will be held accountable for that, at the highest levels." Many PMDU interviews specifically used the phrase "creating a sense of urgency" to describe a purpose of monitoring.

(3) Providing a basis for subunit performance comparisons: For schools²¹ and hospitals, there are annual published "league tables." Comparative local crime performance is available on the Internet, but not published as league tables. For the prison system, prison-level data are ranked for internal use. For asylum processing, within each local unit "they have team-based targets and charts up on the wall about which team is performing best." JobCentres Plus considered but rejected using either public or internal league tables.

League tables are designed to motivate good performance. Good scores are a source of pride, while bad ones "name and shame" -- a common British term. "The thing teachers find most uncomfortable," stated an Education interview, "is the element of comparability between schools. It is the table part that is the most difficult for them." In policing,

What none of these Chiefs like to be told in terms of data that they can't easily refute... is that they are bottom of the class. They are all proud individuals, ... and there is a huge incentive to move away from that point. That's very powerful.

Additionally, good performers are typically allowed greater freedom from central attention – an approach, first used vis-à-vis local government, called “earned autonomy” (HM Treasury and Cabinet Office 2004: 24) -- while poor ones are frequently subject to more intensive monitoring.

League table scores can also be a basis for citizen choice among education and health providers, which in turn is seen to motivate good performance through market-like mechanisms. Stated one PMDU interview regarding the new ability of patients who have waited more than six months for surgery to obtain the operation at a different hospital from their local one:

Choice is not only about improving the patient experience itself, because not all patients would want choice. It is also a strategy to achieve a better local hospital. The point is that by having pressures on local hospitals to perform through the threat of patients not going there, they have an incentive to do something.

(4) Selecting worst-performing subunits for “challenge and support”: Monitoring provides central government with information about which subunits are performing below par.²² This then forms the basis for further central attention to them. This may simply involve more frequent monitoring or requirements to produce improvement plans. Often, it involves more intense interaction with those subunits:

We say, “The performance in this particular town in your area has gone up. That has gone down. Why is there a difference between the two?” “Ah, well, because the person leading the partnership in that area is better than the person in that area, or he’s gone sick, or the local authority elected council people are a bit dysfunctional.” You get a whole host of reasons, and we have a discussion around that and what that local regional manager is doing to address that particular problem. They each have an action plan.

For primary care wait times, “The bottom ten had a visit from six or seven people, who spent at least a day, sometimes two, meeting people, interviewing them, questioning technique, challenging -- in an open and friendly way, it was not seen to be punitive at all --offering a different perspective.” For drugs, “We have a ‘performance intervention team,’ which goes out

there and looks at poor performing partnerships, and actually goes in to give them a bit of a kicking from time to time.” JobCentres Plus has recently begun similar intervention, but only for its most-important target (job placement); interviews suggested ambivalence about whether poor performers were being subjected to more “challenge” or simply offered more resources.

Badly performing units receive “support” as well as “challenge” -- knowledge about how to do a better job -- to be discussed in the next section.

Locus for Investments in Knowledge Creation and Transfer

Knowledge creation and transfer was, for all groups, the central government role discussed more frequently than any other.

Some of the comments reflect an outgrowth of traditional central government roles involving policy development and research. One JobCentres Plus interview discussed a role regarding targets that was explicitly analogized to developing and then piloting policy ideas.

(This often involves) government-based initiatives as opposed to best practice coming bottom-up from practitioners. We’ll have a good idea about, let’s say, how are we going to get more [single] parents into employment. This generally would come from a policy area rather than an operation area. But we can’t prove it’s going to work, and we’d like to be able to prove it before we waste a lot of money doing it across the country, so we have say 100-120 pilots going on across the country, trying different things, so mostly policy related. If it proves itself, we do it, and if it fails -- well we’re not actually quite so good at killing them off to be honest, so they’ll run themselves out eventually.

For school truancy, PMDU and Education collaborated to develop a new approach involving steadily ratcheted-up interventions against truancy, an activity an interview on the subject presented as being on the “policy/delivery interface.”

Second, there were repeated references to the importance of gaining knowledge about interventions relevant to improving delivery, as seen by the frequent use in interviews of words such as “evidence” or “evidence-based.” The word “evidence” in connection with practices

central government recommended or imposed was mentioned in eight of the PMDU interviews , though in only four of the department interviews for people with PMDU targets (and only in one department interview for a non-PMDU target, never at JobCentres Plus or Environment). The flip side is that, for five PMDU targets, an interview referred to weaknesses in the evidence base as a hinder to better delivery. Interest in evidence may be seen as an outgrowth of the traditional central role sponsoring program evaluation research.

But in connection with targets many new central government activities involving knowledge creation/transfer began as well, that in various ways involved learning from frontline delivery experience more than sponsoring research that evaluated policies at a more abstract level. The least-intrusive new activity was to establish a node for people throughout the organization to get together to discuss problems, or even just to know each other so they knew whom to call. At JobCentres Plus:

We have what we call target focus groups, which is one of our best ways of improving performance. It would be chaired by a deputy field director, so it's from the field rather than from head office, but it would include practitioners (people who did the job), some of their managers (perhaps a performance manager), and people from head office. So we're talking ten or twenty people, and every month they sit down and analyse what's happening on, say, [claims] accuracy. For example, let's talk about what's happened in Aberdeen, compared to what's happened in Southeast London, what are the best practices that we're seeing, what are people saying about why accuracy is getting worse, and are the stories consistent, in which case there probably is a problem, or is it a case of everybody having their own story?

Lower-intervention organizations such as Job Centres Plus limited themselves to such a relatively passive role. For the (non-PMDU monitored) bus ridership target, Transport established a "Bus Partnership Forum," where "we have the bus industry association and the biggest companies and local authority organizations meet regularly to tackle problems."

For PMDU targets, a more activist approach was taken. First, bodies were established in Education, Health, and in the Home Office (but not at JobCentres Plus or Environment) charged with developing and transferring information about operational best practices.²³ In addition, PMDU established as part of its technology “priority reviews,” quick-turnaround studies aiming to model a production process by “engag[ing] with the delivery chain and track[ing] delivery down to the front line.” (PMDU #2 N.D.)²⁴ These typically included a mix of people – PMDU and department officials, a frontline manager, and an outside consultant:

So you did not turn up as though you were a bunch of people from the center of Whitehall who knew nothing about the real-life problems that police officers face. On the other hand, you weren't exactly a team composed of people exactly like there were out there. And you also had your McKinsey consultant on board. Sometimes it was a bit disappointing for people who see that actually they were meeting their old friend from the Crown Prosecution Service, rather than sort of Britain's geniuses from PMDU.

For emergency room wait times, the body in charge of developing good practice undertook an effort to understand the emergency room production process better:

It is about understanding what is happening and what the data is really telling you. So with [emergency rooms] it was who is waiting -- actually identifying that we had a small cohort of patients that were causing most of the problem and knocking on to everybody else. And for example again -- when were they waiting? Learning that there were certain hours of every day where practically every hospital was getting into difficulty,

The process analysis produced various re-engineering ideas. One was “See and Treat.” This replaced a triage system, where patients with minor injuries are looked at on arrival and then left to wait while more serious cases are treated, with a system where some doctors were assigned immediately to treat minor cases, while others were assigned serious ones. This saved resources by reducing rework (where patient information was gathered by successive caregivers), reducing resources assigned to managing inquiries and hostility from annoyed patients waiting for treatment of minor conditions, and stopped situations where patients with small problems

waited many hours because there was always someone a bit more serious ahead of them.

Another was a “Wait for a Bed Checklist.” Analysis had revealed that another major cause of delay was unavailability of beds for those being admitted as inpatients, which in turn was exacerbated by failure to coordinate bed management with predictable patterns of emergency room demand: by releasing inpatients earlier in the day (or smoothing out the days of the week patients were admitted for elective surgery), beds were freed up for emergency room demand. Central government also developed a “discharge toolkit” of steps to allow a nurse in many cases to discharge patients, so physician availability would not delay discharge.

A priority review on violent crime provide a feeling for how, when aggressive, central government gathers knowledge. PMDU initiated an effort to learn more about the “nighttime economy,” i.e. the world of heavy drinking that starts early in the evening, progresses to mild misbehavior somewhat later, and often ends with much more serious violence late at night. For the review, one PMDU official (whose background was in consulting) and one from the Home Office (who had been a frontline police manager) visited 12 urban areas chosen to pilot new approaches to violence reduction. The visits included extensive time with local police officials, but also time accompanying police on their beats, following the course of an evening from 8 pm to 3 am, and in closed-circuit camera surveillance locations, pubs, and emergency rooms.

We would walk into [emergency rooms] at 2 am and speak to the nurses on ward, and ask, “Who is presenting? And what is the degree to which you are physically abused by these people who are presenting? What are the drivers of this -- is it alcohol, drugs, domestic violence? It’s fieldwork, it’s not positioning a solution, it’s actually trying to understand the problem.

Immersing themselves in this environment – and, in their own view, perhaps able to notice things others might take for granted – the two central government officials concluded that a key to stopping bad violence late at night was for police to intervene earlier in the evening.

You can see that the scaling-up of bad behavior is fueled by the fact that a lot of the premises let in underage drinkers. They won't check their ID. So there are intervention points with the door staff. And early in the evening, police can issue fixed penalty notices²⁵ on the street to a person who is being unruly and unsavory: "We're not going to take you down to a cell, but this is the equivalent of a charge. And you have to pay this within 30 days or it will double, and if you don't do that you will get a strike against your name and we will bring you into court." That is usually enough. Keep in mind that most binge drinking happens with a minority of silly people who just go out to have a silly night. You can potentially impact their behavior if you get them at an early point when they are cogent, certainly cogent enough to make informed decisions about their own behavior.

The traditional approach is to load the majority of your policing resources at the end of the evening, when the trouble happens. Now if you could actually change the police way of working tactically so that they use their power earlier in the evening, against less serious violence, to get people out of the nighttime economy, as opposed to more serious violence, which happens at the tale end of the night.

The central government pair developed opinions from this work about how to intervene in the nighttime economy, though as noted above they did not impose these on the field.

You start to put together the bit of the puzzle to get a complete picture. There were elements of commonality across the spectrum, which allowed us at the Center from a position of absolute objectivity, which was really important for us as well, to say, "You in [city A and city B], you have never spoken to each other, you have like-for-like problems, and if we actually collaborate together and mark-up an operating model that we all put into place, wouldn't it be curious to see what happens here? Do you think we will get some return on investment if we all work in a similar fashion on similar problems?"

Subunit comparisons are also an input to figuring out what works and doesn't. For the target for waiting time for an initial doctor's appointment:

I formed a small team, and said let's understand where the problem areas are, let's find out what Patient Care Trusts are doing well, so within the space of a few weeks I had a chart with all 303 trusts in England, looking at the scale from somebody in the 40% range to lots of people in there actually getting something in the high 80's low 90's. We then sent some people out to the good performers, to say what is it that you are doing, so that actually we can learn, we can spread to others. And we quickly found a common set of issues that actually we could spread to other places. We then moved to look at people who were performing not as well, and whether there were issues impeding them from reaching their target.

Second, subpar performers typically receive heightened support in the form of efforts to transfer knowledge to them.²⁶ The PMDU view, as expressed in one interview, is that “a passive approach to best practice transfer is hopeless.” Sometimes, support is very directed, sending people out for anything from several-day visits to actually moving in for weeks. (For reducing orthopedic surgery wait times, two-week visits to poorly performing hospitals were followed by 12 weeks where one team member spent one to three days a week at the hospital.) For emergency rooms, “We do everything from handholding at executive level, from setting up networks, from pulling in our best practice advice, from checking whether they’ve implemented the checklist, sending them these courses [about how to implement process changes].” For schools:

We have a program for primary schools called an intensive support program, and it works in about 800 of the very worst performing schools. That would essentially send a consultant into that school to work directly with the senior management team, and ensure that there is a very rigorous program of individual curriculum targets for every pupil and effective teaching strategies introduced for every child, identifying the performance that they needed to make to improve the levels of school achievement – it’s a very rigorous, almost a handholding exercise for the school concerned, using the expertise of the consultant.

At another level up, we have a national system of peer challenge, in which high performing [principals] will be assigned to poorer or underperforming primary schools, to work with them on the particular leadership challenges at that school that are holding them back, and the particular focus will be on literacy and numeracy strategies. Although that headteacher may only spend a week with the school over the course of the year, it’s a sort of peer-level consultancy for that school, helping them to think through the changes they need to make to their structures, to their strategies, towards their pupils.

This approach is consistent with research finding that knowledge is transferred better face-to-face than through written materials. (Dutton and Starbuck 1979)

A challenge in trying to transfer knowledge to poorly performing units is that some of the same reasons that make these units poor performers in the first place may also mean they lack “absorptive capacity” (Cohen and Levinthal 1990) to assimilate new knowledge from the

outside. The outsiders brought in are generally a mixture of consultants and of employees or managers on detail from other local units. For reducing orthopedic surgery wait times, the team included a hospital chief executive, an orthopedic surgeon, a manager with waiting list management experience, and a central government analyst and program manager. Often, the people are similar to those being helped who have successfully dealt with the problem:

I think we realised the first time you're making the case to somebody across the table about why they should listen to this person, and we realised how powerful it is to say they were like this themselves six months ago, and now they've fixed the problem -- let's listen to what they did.

Intensive intervention for lowest-performing subunits was used less among organizations outside PMDU sphere. It was not used in JobCentres Plus or Environment for air quality, and introduced for recycling only after guidance from Treasury.

In the interviews it became apparent central government had several advantages for knowledge-creation/transfer above those economic theory suggests. One is a wider perspective from a greater range of experience: the police manager working on violent crime saw analogies to strategies for dealing with public disorder (such as soccer riots) that emphasize early intervention, which officers who had dealt only with street policing would not have experienced. Second, the central unit serves as a good location from which to observe data about local practice. Third, the central unit is a both convenient and legitimate node for formal interaction among people from subunits, where knowledge may be shared. A PMDU interview stated:

Our role is really identifying key stakeholders who can help identify what is required at every step of that delivery chain to make change happen. I think this is where we are quite lucky. Because we are working from the Center, we have a good degree of reach. If we are inviting people into the Center, they are very curious to know, "What is this all about then? It must be something quite important if we are being invited into the Center." We see this is an opportunity. For us we are absolutely focused on getting the right people to the table to identify what the right solution is.

A fourth advantage involves operation of a “deTocqueville effect” – the idea that an outsider sometimes is better-placed to gain insights than someone living in an environment every day, because they can see features inhabitants take for granted (This is often seen as an advantage outside consultants and vendors bring an organization. See Kelman 1990: Ch 4. It may be seen as one benefit Taylor’s efficiency experts brought to the plant floor.)²⁷

If you are in a situation that is progressively and incrementally getting worse, it’s the “boiling frog,” -- you don’t notice. The advantage of someone from outside coming in is that they immediately say, “This is hugely dysfunctional.” And it is. But it is still normal for the local people.

Because we come from some distance, we have perspective. If you are up against a wall, you see very little of the wall. The more paces you take back from the wall, the more of the wall you see. If you go back too many paces you don’t see anything useful in terms of details. So it’s about the distance back you should be.

Fifth, outsiders may also be able to articulate good practices that practitioners themselves are unable to explain – Argote (1999: 88) describes an example where

an engineer apprenticed herself to a bread maker to acquire the bread maker’s tacit knowledge. Through a long period of observation...the engineer captured the bread maker’s tacit knowledge and converted it to explicit knowledge. This explicit knowledge served as the base for Matsushita’s bread-making machine.

Visioning

Visioning was the dog that didn’t bark in the interviews. A number of comments made clear that many respondents saw a strong ethical dimension to their commitment to better public service delivery. Indeed, for 3 of the 4 PMDU staff who had come from private consulting, this appeared to be a major reason to go to PMDU. (For example, one interview stated, “I was itching to do something more meaningful and worthwhile.”)

But no interview with PMDU staff, and only two with department staff, mentioned conscious central government visioning activities.²⁸ An interview with a department official responsible for a non-PMDU target stated: “You have got to say, ‘Look, we can be successful,

we can change people's lives.' Organizations don't change with strategy, they change with vision." And a Health interview stated:

We did an awful lot of learning what touches people's buttons. And mostly within the [National Health Service] it is mostly about patient care. We were very, very forthright saying, "This isn't a government target, it's a patient experience target."

So the hearts and minds stuff, we did a lot of [polling] work to get real patient views. So we don't say, "Tony Blair wants to get re-elected -- please can you do this." We say, "This is the message from patients. This is about patient care."

Some interviews specifically worried central government was losing the battle for frontline hearts and minds on targets. In education,

We didn't win the moral arguments and we allowed the impression that it was no longer as important to continue driving up standards. ...And we didn't really drive through the moral case that it makes a hell of a difference to what people achieve later in life, it makes a hell of a difference to closing the income gap, this is a really big thing.

In health,

You almost get people (who)...are prepared to say, "OK, if you want me to meet the [emergency room] waiting target, then I shall have to chuck this granny out into the street." Obviously no sensible adult relationship would involve that sort of lack of respect for what it is you are trying to do. I can't help feeling that we have switched people off somewhere in it, you know? Probably a danger about targets generally actually, because I think people feel undermined and dehumanized by targets really in ways that we probably haven't understood.

Towards the end of the period, some senior central government figures began to understand the importance of a visioning role. In a 2004 speech to a teacher organization, Barber referred to the government's "moral purpose" and "core ideal" – to give "full command" of English and math skills "not just to some but to everyone." (Barber 2004) A senior political official in Health stated he had learned that

managerialist rhetoric is bad. You need to sell this in values terms – the NHS (National Health Service) is very values-oriented. We need to say: how can it be equality if some people have to wait for a year for an operation? We need to get

across the message that we believe in these values so much that we are critical of current practice. Strong values need strong reform.
We didn't emphasize this for a long time. We've learned.

Natural selection? Isomorphism?

In a neoinstitutionalist view (DiMaggio and Powell 1983), similarities across organizations are seen to reflect imitation and norm-observance, regardless of the usefulness of a practice. In a natural selection view (Nelson and Winter 1982), similarities reflect weeding of non-useful practices over time and retention of useful ones. This occurs absent conscious understanding of any theory of organization design suggesting certain interventions are likely to have greater or lesser usefulness. (Friedman 1953; Douglas 1986: Ch. 3) Predictions about organizational design outcomes diverge where organizations are less subject to imitation pressures. Neoinstitutionalism predicts divergence. Natural selection still predicts similarities. A third source of organization design outcomes -- conscious choice of designs believed appropriate -- might produce either differences or similarities, depending on the degree to which convergence exists across organizations about the attractiveness of different choices.

Central government design features are similar enough between PMDU targets and others to suggest significant elements of natural selection and/or conscious choice, as opposed to imitation, in their appearance.²⁹ Many practices – such as local reporting of plans, monitoring, and elements of knowledge creation/transfer – may have emerged through something resembling conscious choice because they are adaptations of elements of a traditional central government role (or that of those on top of a hierarchy in general) from a pre-performance management era. Practices growing out of conscious choice converge because traditional conceptions of a central government role in pre-performance management contexts converged. If central government is to take any responsibility for performance management, it is hard to avoid some monitoring of

subunit performance. Central government officials as a group are highly unlikely to understand the theory of public goods. At the same time, it is hard to imagine that a central government role in knowledge creation/transfer would occur purely through natural selection over the short period of time considered here – that central units providing knowledge achieved better delivery than those not, leading to trial-and-error abandonment of a no-knowledge role. Instead, a mixed account seems plausible. People in central units believed, based on a traditional hierarchical view of their own advantages over local ones, that they should help subunits figure out how to achieve better delivery. Failing to see such information getting developed spontaneously (because of information's public-good feature, a concept central units didn't understand but whose results they could observe), they proceeded to develop such a capacity on their own. Similarly, the lack of a central role in visioning can be seen to arise from the lack of any similar function for central government in an era where such organizations concerned themselves with policy, rather than the behavior of people on the front lines; the idea of a central visioning role was thus not available, and therefore didn't get grasped. The beginning of an interest in visioning at the end of the period being researched may reflect the observation of poorer delivery with visioning absent, producing either non-conscious natural selection favoring visioning or a conscious choice, due to learning, to undertake visioning

There were differences between PMDU and non-PMDU domains as well. PMDU technology was a turbocharged version of what others did. They did the same, but more – more plans, more data improvement, more monitoring, more incentives, more knowledge generation and transfer. The research provides evidence for the role of mimetic and normative factors. PMDU had a technology to offer departments suddenly given new responsibilities and unsure what to do. A few department interviews specifically referred to straws the presence of PMDU

technology allowed them to grasp. Barber's development in Education of a unit for best-practice development/transfer became a model for ones developed elsewhere. When a previous Education minister took charge of the Home Office, he brought the idea for such a unit with him.

Discussion

In general, the evidence is that there has been a decent match between activities theory would predict would be ones where a central unit has good prospects of contributing to subunit performance, and those central government in the U.K. has actually taken in the context of the targets regime. This applies to monitoring and knowledge-creation/transfer. The worries are excessive decisionmaking and insufficient visioning.

The clearest mismatch involves lack of attention to visioning. As noted earlier, if centralization threatens to create motivation problems on the front lines, central government needs actively to counteract this through visioning. Furthermore, visioning work connecting targets with agency missions is also important because targets are expressed in terms of an indicator and not the underlying mission the indicator embodies. They thus create a risk of goal displacement (Merton 1968: 249-60) where people orient themselves to attaining the target rather than to the underlying mission goal -- a phenomenon Barber calls "hitting the target but missing the point." This is especially so in a political environment where opposition parties and the media are inclined to put any government approach, such as targets, in a bad light by, in this case, disassociating them from the substance of performance improvement. (In the U.K., political opponents have highlighted examples of situations where meeting a target hurt achievement of another organization goal -- for example, patients with illnesses requiring urgent treatment, such as cancer patients, whose treatment was allegedly delayed so that treatment for a patient with less-urgent conditions could be treated at under the targeted time -- and used

metaphors comparing targets with Stalin's Soviet Union.) Also, the more that visioning establishes a connection between target and mission, the lower the cultural acceptance for data manipulation or gaming (Hood 2005) by which organizations can report apparent performance improvement without their genuinely having occurred. A warning sign of failure to create the connection is the apparent prevalence on the front lines of derogatory phrases such as "target chasing" suggesting targets are pursued for their own sake, without connection to mission.³⁰

It is hard to draw firm conclusions about whether central government has been too quick to make decisions for or impose practices. One would speculate – though no review of these documents, which would probably require a paper of its own, was undertaken to support such speculation -- that the plans lower units have had to submit for approval have involved significant busywork and box-ticking. Significant additional work would be required to judge which imposed practices were sensible to impose. The imposition, as part of the coronary mortality reduction target, of a requirement to give people with certain indications cholesterol-lowering statin drugs would appear to be in accord with an accepted evidence-based conclusion. (Cholesterol Treatment Trialists' Collaborators 2005) Similarly, the phonics-based literacy strategy would, broadly, appear consistent with evidence on teaching reading (Snow *et al* 1998), though this approach may be unnecessary, and hence inhibiting, for fast learners, and the degree of detail in the imposed curriculum seems high. On the other hand, one senior Health manager referred to an imposed practice in his domain as "a set of prejudices about how services ought to be." At least some practices were imposed for almost half the PMDU targets, which seems high, though these were only a modest fraction of all practices central government promoted in one way or another. One got little impression from PMDU staff that many had strong principled aversion to imposition, and some seemed rather to like it. However, in almost all cases of

imposition, interviews referred to an evidence base behind it, suggesting central decisionmaking was seen as an outgrowth more of a knowledge-creation role than of hierarchical authority.

Recently – and enshrined in the 2004 “spending review” that includes a triannual review of targets (HM Treasury and Cabinet Office 2004) -- there have been efforts to reduce central decisionmaking and monitoring regarding targets. The official view is that this reflects the developing maturity of lower-level performance management capacity. (*Ibid.*: 5) Another view is that an overly centralized system is hard to maintain over time. Partly, this may be because of resentment it creates below and resultant pressures to lighten up. This may also reflect operation of a phenomenon -- discussed in the context of cooptation in literature on regulatory enforcement involving frontline inspectors (Hawkins 1984: 52-53) -- whereby people from the central unit grow softer over time as they get to know people in lower units better over time. As Selznick (1949: Ch. 7) argued in his study of the Tennessee Valley Authority, the flip side of cooptation is an increased ability to exercise influence through personal ties. One PMDU interview stated that initially the organization made heavy use of requirements that departments prepare delivery plans (“making everyone write 17-section reports”), priority reviews, and prime ministerial stocktakes as levers, but over time these techniques had diminished in importance compared with those involving personal relationships. Another noted that when he arrived, there was “an overemphasis on priority reviews and stocktakes, while underemphasizing the importance of good one-to-one relationships with departmental people,” but that this had changed. When procedures for preparing semi-annual reports to the Prime Minister on each target were revised, the role of the department in preparation was increased.

In all, then, central government in Britain has landed in a decently good place in terms of its potential to contribute to delivery of performance targets – though this paper has produced no

evidence of the extent to which this potential has been realized in practice. As – or when? – performance management becomes a routine part of public management, governments will thus have available a good first approximation – except for the failure to address visioning -- of practices central institutions can follow to contribute to the improved results that are the aim of the exercise in the first place.

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TABLE ONE: FIXED-RESPONSE QUESTIONS REFLECTING AN ITCH TO IMPOSE

	<u>PMDU</u>	<u>DEPARTMENT</u>	<u>TREASURY</u>
“In the 2004 spending review, the targets I work on were made significantly more challenging to attain than in the previous period.”	2.9 (N=15)	2.6 (N=22)	2.4 (N=9)
“What would be your best estimate of the proportion of frontline staff involved in public sector service delivery who see a clear relationship between achieving targets and improving the substantive quality of their organization’s mission?”	3.4 (N=16)	2.5 (N=22)	2.8 (N=11)

Responses to the first question are on a five-point scale, from "strongly agree" to "strongly disagree."

Responses to the second question had five response alternatives, from "three-quarters or more" (=1) to "about one-fifth or less" (=5). Mean values are taken based on the five-point scale. It is not strictly appropriate to see this as an interval scale for which a mean value may be calculated, but with the small numbers involved, this procedure was followed for the sake of simplicity. Percentage calculations for each of the five responses would have looked similar—for example, the percentages answering "three-quarters or more" were 0% for PMDU, 18% for departments, and 27% for Treasury.

NOTES

¹ Of course, if overseers hold organizations accountable ex post for performance under a performance measurement scenario, that provides an incentive ex ante to improve performance to avoid punishment.

² The exception, of course, would be the central economic planning activities in Communist countries, where firms were owned by the government and hence in the public sector. The analogy to Soviet economic planning is, in the U.K. context, a politically charged one that I do not mean to endorse (because the underlying use of targets rather than profits to influence firm behavior was mistaken). It should also be noted that the activities of HM Treasury, which mostly involve establishing targets and the ambition level they seek, will not be discussed here.

³ Additional interviews were conducted with officials in Treasury; these will be analyzed in a separate paper.

⁴ About half these were different from the original target list from 2001. Two of the targets not included involved targets in the Office of the Deputy Prime Minister for which there was no traditional department structure and a third target (for public confidence in the criminal justice system), which got relatively little PMDU attention. (In this case, the Home Office official in charge was interviewed.) For reasons of time and availability, PMDU officials responsible for targets for police performance and drug supply were not interviewed. (Those responsible for related targets involving crime and drug treatment were interviewed.)

⁵ In the case of Environment, for air quality and recycling.

⁶ Martinez and Jurillo 1988 note a change in the focus of research on the role of headquarters in multinational corporations over time, with an increasing attention to the headquarters role in knowledge transfer to local units. The authors argue there was relatively little need for this when most multinationals were multidivisional firms producing a wide range of products, but that the more recent decentralization of production of similar products across geographic boundaries increased the need for knowledge transfer about production methods, contributing to the shift in research attention.

⁷ This problem is related to the first, since if one could easily transfer local information upwards, central decisionmakers might be able to act.

⁸ Although this is not the topic of this paper, analogous arguments about centralizing decisionmaking can be made regarding the underlying decision to have central targets applying to the United Kingdom as a whole in the first place, as opposed to allowing choices of measures and ambition levels to occur locally. (HM Treasury and Cabinet Office 2004) This question, which involves normative issues of democratic theory, has been addressed in literature on federalism versus centralization in designing political institutions. (Begg et al 1993; Peterson 1995; Macmahon 1962; Nathan 1990; Neumann 1962; Peterson 1981: Ch. 4; Oates 1972; Peterson 1995; Rivlin 1992; Storing 1981; Wheare 1963) The topic of this paper, however, is one relevant input into this question. If central government is able to contribute to local performance improvement, that is one argument, though of course not necessarily decisive, for central involvement in establishing targets in the first place. If not, that is an argument against.

⁹ Regarding central imposition, one interview for this research noted that “(m)inisters are always going to think if they really, really want something to happen this, is the way to make it happen.”

¹⁰ In order effectively to appraise the performance of lower units using performance measures, the central unit needs to develop standards for performance measure content (how should costs be accounted for in developing data about financial performance, for example) and auditing data lower units present, since these units have an incentive to report overly optimistic results. Central office data standardization and auditing activities consistently appeared quite early on among the firms Chandler (1962: 60-61, 195 studied, in conjunction with development of a central role in performance appraisal/incentive-provision using performance measures.

¹¹ Central appraisal creates incentives for misreporting performance data. (Hood 2005)

¹² This is different from an “economies of scope” argument sometimes presented in the traditional literature on behalf of shared central services, which is that a central staff function can more efficiently allocate technical resources to units than a unit itself could – an individual unit might not be able to justify hiring a certain narrow technical expert based on its own demand for the services, but a central unit can share the resource among various lower-level units. It is also different from the argument for central staff in the traditional literature in terms of the imposition of common policies that the organization wishes to have for legal or ethical reasons. (Mintzberg 1979: 83, 123; Goold and Campbell 1987: 21-22)

To be sure, some incentives exist for subunits to create knowledge, even knowledge useful for other subunits. The original developer of knowledge will almost always get more use from it than those to whom the knowledge is merely transferred. This is more the case the more the knowledge is tacit or otherwise difficult-to-transfer. (Cohen and Levinthal 1990) Subunits may explicitly attempt to keep knowledge they have developed hidden from others in the organization. Together, these factors provide subunits a sort of counterpart to patent protection, allowing them to gain performance advantages over other subunits for knowledge developed themselves.

Since a central unit will want to use locally developed knowledge as one input into its own knowledge-creation activities, some amount of such “patent protection” is organizationally optimal. But because elements of such information are likely to be inexpensive to disseminate, there are costs to such protection; in the literature on knowledge management, this phenomenon is known as “knowledge hoarding” and considered a pathology. (Davenport and Prusak 1998) Frederick Taylor (1967: 104) presented this as an argument for having a central unit develop new knowledge about what procedures worked best. “(E)ven if the workman were to develop laws where before existed only rule-of-thumb knowledge, his personal interest would lead him almost inevitably to keep his discoveries secret, so that he could, by means of this special knowledge, personally do more work than other men and so obtain higher wages.” By contrast, the central developer can teach the new knowledge “impartially (to) all of the workmen” in the organization. As with patent protection in general, there is a tradeoff between ex post efficiency and ex ante knowledge-development incentives. (Scotchmer 2004: 39-39)

Chandler’s empirical business history narratives present numerous examples of a knowledge creation and transfer role central units played. General Motors had a central unit that “worked on improved engines, parts, bodies, fuels, and other technical improvements” for all the company’s cars. A factory unit “developed an tested new methods of production, cost analysis, waste prevention, salvage, factory layout, design, and so forth.” A sales unit developed common showroom displays and retail selling programs. (Chandler 1962: 153-54) Headquarters also brought together a large number of interdivisional committees in areas such as purchasing, engineering, and sales to provide “a systematic and regular means by which the line, staff, and general officers could meet monthly or even more often to exchange information and to consider common problems.” (*Ibid.*: 156; Drucker 1964: 55-56 gives the example with regards to General Motors: “If...one division has worked out a new way of treating cast aluminum which cuts down costs by 5 per cent, the other divisions interested in this...will at once be informed by the service staff.”) Similar functions emerged independently at Standard Oil and General Electric. (*Ibid.*: 214; Chandler 1977: 430) DuPont, even before its reorganization, used comparisons of performance data from different plants to “(make) it easier to locate weaknesses and inefficiencies.” (*Ibid.*: 58) Yet Chandler’s theory (1962: 9-II, 291) does not notice these empirical findings – these activities are not incorporated into any larger generalizations about the appropriate roles of headquarters in the multidivisional firm.

¹³ Surveys show, for example, that 90% of respondents regard themselves as “better than average” drivers.

¹⁴ For these reasons, it is no surprise this argument originated with Selznick, writing about public organizations.

¹⁵ Additionally, for JobCentres Plus job placement targets, an effort was being made as of the time of the interviews to gain agreement between the Center and the field on a set of standard practices.

¹⁶ See pp. xx.

¹⁷ The numbers are small. No statistical test for differences in mean was performed, because the group of interviewees, at least for the PMDU-monitored targets, may be considered a population rather than a sample (though, because of varying interview lengths and time available, not all respondents did the fixed-format survey).

¹⁸ The most-senior department civil servant.

¹⁹ The Home Office explains that it does not have a line command relationship with the police, so it would be inappropriate for police representatives to be at the meeting.

²⁰ In one case, where a target had originally been monitored by PMDU but where PMDU involvement ceased in 2004, the head of the organization said he would likely be fired if his targets weren't met.

²¹ This had actually begun under Prime Minister Major in 1992.

²² Generally, especially recently, comparisons have been made among units considered comparable – “most-similar forces” with similar demographics for crime, “free school lunch meal bands” for schools, or “profiles” based on unemployment rates for job-placement.

²³ Dixon (2000: 115) discusses the U.S. Army Center for Army Lessons Learned as an example of a similar organization in a different public-sector context.

²⁴ This was one element of PMDU technology that did not come from Barber's Education experience. The idea came from a discussion between Barber and a PMDU staffer who had worked at the Audit Commission, which undertook similar studies, but very time-consuming (over a year); Barber asked how long it would take to gain 90% of the information in an Audit Commission study, and the answer was “two months.”

²⁵ These are on-the-spot fines (80 pounds) for rowdy behavior, imposed by a police officer like a parking target. People receiving the fine are not taken to jail, but their names, addresses, and phone numbers are taken.

²⁶ For recycling, a support team effort was “in its infancy”; no such units existed for air quality or JobCentres Plus.

²⁷ “Fish will never discover the existence of water,” the saying goes.

²⁸ One PMDU interview did state that “(w)e knew we were on a winning wicket when they said, ‘This is not a target, but this is a thing for our community, and we see this as an opportunity to do something positive’”; however, the interview did not suggest that central government had consciously promoted this reaction.

²⁹ However, it should be noted that Treasury took on a role, analogous in nature but much lower in intensity, to PMDU for non-PMDU targets and departments; and PMDU had some influence over Treasury regarding what central government roles they urged departments to undertake. To the extent this occurred, the suggestion of a test for neoinstitutionalism between organizations under vs. not under PMDU influence is vitiated. On the other hand, many activities central government undertakes in the U.K. resemble those in independently developed systems in the U.S. that use performance measures to manage organizational improvement. (Metzenbaum 2003; Behn 2005)

³⁰ This phrase was not used by any of the central-government interviews, but is anecdotally said to be used with some frequency on the front lines of the system.