

Good people trapped in bad systems

by Kevin Beeston, Executive Chairman

Former US Vice President, Al Gore, famously wrote in his 1993 report on 'Reinventing Government' that the problem with modern government was good people trapped in bad systems – budget systems, financial management systems, personnel systems, management information systems – 'when we blame the people and impose more controls, we make the systems worse'.¹

This is particularly true of the managers of front-line public services: school principals, hospital administrators, police commissioners and prison governors. A great deal of the challenge of delivering efficient, high-quality public services falls on the shoulders of these men and women. They must balance the need for customer responsiveness with the demands of financial responsibility, and more than anyone else, they are the ones who must make sense of that well-worn phrase of 'value for money'.

And yet in the numerous reports on public sector management, they have received very little attention. Efficiency reviews driven from the centre tend to focus on the over-arching structures of government – the architecture of departments, agencies and local authorities. Much of the public debate is concerned with the motivation of front-line workers – doctors and nurses, teachers and police officers. But little has been said over the years about those who are charged with reconciling the demands of politicians and public officials in head office, and the end users of government services.

In my view, if we wish to make significant improvements to the efficiency and effectiveness of our public services, then the answer lies in liberating these front-line service managers. It has long been recognised that we must 'let the managers manage', but in the public sector, it has proved

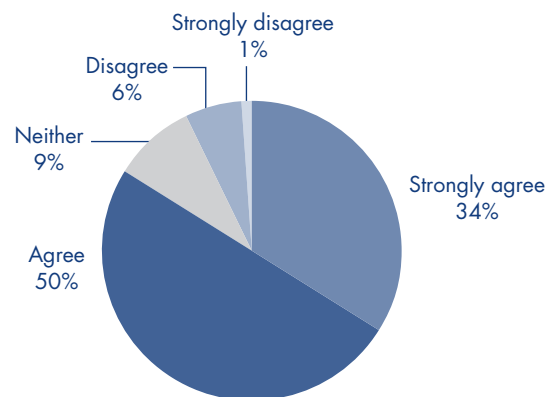
difficult to implement. Indeed, many have argued that, with the introduction of performance management in recent years, managerial autonomy has suffered a serious decline.

Contracting services out provides a unique opportunity

There has been one clear exception to this trend – where front-line public service managers have been given real autonomy at the same time as they have been held more accountable under a performance management framework. I am referring to those services that have been contracted to private and voluntary providers (and in a few cases, to public providers).

1 Serco Survey 'Managing my contract, accountability is much more personal than it was in the public sector – I feel that I am under the spotlight to deliver'

Managers with previous public sector experience



Source: Megan Mathias and Emma Reddington *Good People, Good Systems: what public service managers say* Serco Institute, 2006, p.7.

¹ Al Gore, *The Gore Report on Reinventing Government: Creating a Government that Works Better and Costs Less* (New York: Times Books, 1993) p.2.

Since many of those managing these services under contract previously delivered the same services under command-and-control arrangements, contracting offers us a unique opportunity to compare the two models of management.

In an attempt to understand the differences, the Serco Institute recently surveyed² almost a hundred former public servants who are now managing public services under contract.³ Most striking was the number who reported that they enjoyed increased freedom to manage – nine out of ten (88 out of 95, with 42 strongly agreeing) said that they had greater autonomy than when they were in the public sector, almost half of them agreeing strongly with this proposition. A similar proportion (nine out of ten) also reported that scrutiny was much closer and performance much more transparent under contract management.

The heavy cost of bureaucratic intervention in operational management has been documented over some years. In the Prison Service, for example, Lord Woolf criticised ‘the confetti of instructions descending from headquarters’ in 1991, Sir John Larmont referred to the ‘blizzard of paperwork’ in 1995, and Lord Laming condemned ‘the deluge of paperwork’ in 2000. What was perhaps most disturbing about Lord Laming’s report was the observation that little had changed since this issue had been identified in the Woolf and Larmont reports.⁴

Clearly the kind of accountability that is delivered under a contractual (or in the case of government, quasi-contractual) model is fundamentally different from this ‘deluge of paperwork’. Almost all of the survey respondents reported that contractual performance measures had been useful in clarifying what must be done; eight out of 10 (74 out of 95) agreed that the contract had given them a stronger sense of mission.

Around four out of five observed that contractual accountability was much more personal than it had been in government. Their language suggested that they had acquired a sense of ownership of their particular service, very like what is seen in small businesses.

The contractual structure also seemed to result in much clearer lines of accountability than existed under the traditional model. To a considerable extent, a contracted service is a self-contained bubble, with one point of entry in and out, via the contract manager. When they spoke of their time in government, contract managers tended to speak of responsibility as being layered (and for this reason, more diffuse).

² Megan Mathias and Emma Reddington *Good People, Good Systems: what public service managers say* (Serco Institute, 2006).

³ The Serco Institute conducted unstructured face-to-face interviews with 13 contract managers with a background in managing similar services in the public sector. Based on these responses, a survey was mailed to 311 contract managers across Serco’s public sector business, with a response rate around 50 per cent. Responses were by reply-paid envelope and anonymous. 96 respondents (64 per cent) had a background in the public sector, while 55 (36 per cent) had come from the private sector. The former public servants, the focus of this study, had worked in government for 16.5 years on average.

⁴ Lord Laming of Tewin, *Modernising the Management of the Prison Service* (Home Office, 2000) pp.3, 14.

How does increased autonomy make a difference to service delivery?

Most contract managers reported that the freedom to build their own team was crucial to delivering high quality performance. Most reported that they had greater flexibility to hire people, and four out of five said they were better able to manage difficult staff. Changes could also be introduced much quicker and they had a ‘far greater flexibility to correct mistakes’. Almost nine out of ten said they had greater freedom to experiment and innovate under the contractual model. This was important in turning around performance when it was failing.

Among other things, a contract is a charter or a constitution. It lays down in advance the rules of engagement between the commissioner and the service manager, and in this way it creates a ‘shield’ that protects the manager from detailed and persistent interference from head office. Contract managers reported that it was less than a perfect shield, but they felt protected to a greater extent than their colleagues in the public sector.

Surely there are lessons here for the way in which government manages its own services in-house. The ‘Next Steps’ review created quasi-contractual arrangements for Agencies, but it failed to carry those same principles down to the front-line service units – the hospitals, the schools and the prisons.

In recent years, the Government has cascaded performance targets down to front-line service managers, but without also giving them the autonomy that comes with a contractual shield.

Introducing a quasi-contractual model

The first step in the introduction of a quasi-contractual model lies in the recognition of the primacy of the front-line service unit. The scale of this unit differs, but in most public services there is a clearly-defined structure that is responsible for the delivery of the actual service – a school, a hospital or a prison. These service delivery units should look more like bubbles and less like layers in a layer cake.

Given the current enthusiasm for shared services, this will appear to some as a retrograde step. I disagree. If front-line service managers are given the appropriate authority, given clear performance targets and held personally accountable for the financial and service outcomes, then they will be more likely to make rational decisions about business models than if accountability lines continue to be blurred through persistent intervention.

Stricter accountability, with a fair and predictable system of rewards and sanctions, will create an incentive for public service managers to develop reliable and timely information systems. With a system of escalating interventions, and the freedom to introduce reforms in response to emerging problems, front-line managers will find such information absolutely essential.

While it will be necessary for government to make room for investment in such systems, such investment needs to be driven by front-line service managers themselves. The kind of management information that our respondents valued was, in many cases, tailored to their contract or service, and directed to enabling them to meet their performance objectives.

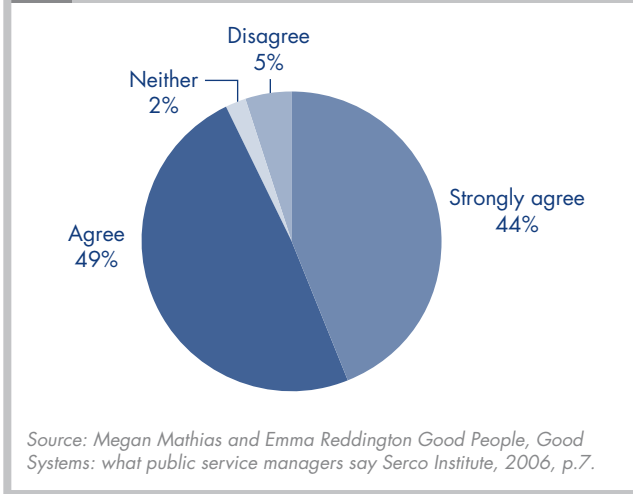
Answering the critics of quasi-contractual models

Those with reservations about a quasi-contractual model usually raise two objections. Some are concerned about the rigidity associated with formal contracting. There is little doubt that policymakers lose some of their flexibility under such a model, but that is the price that we pay for giving greater certainty to those charged with actual delivery. In the case of major changes in the economic or policy settings, there is still the possibility of re-negotiation, and if the quasi-contracts are for three or four years, then a moratorium on shifting priorities may well be for the better.

In any case, it is unclear that the structure and governance of front-line service units – schools, hospitals and prisons – need to change a great deal over a five year time period. Much of the structural change that has taken place in recent years has been at a higher level in government.

There is also a concern that creating strong organisational boundaries can result in some fragmentation of public services, making ‘joined up government’ even more difficult than it is at present. There is little doubt that the introduction of a contracting model demands that government pay a great deal more attention to questions of collaboration and partnership.

2 Serco Survey ‘In my contract, I have more autonomy than I had in the public sector’



Autonomy is not autarchy. In government, as in business, there are occasions when the centre needs to intervene in order to achieve economies of scale, or to ensure that systemic issues are addressed. But that is no reason for undermining the autonomy and the accountability of front-line managers for the delivery of services day-to-day.

A study of 21 ‘high-performing, high-poverty schools’ in the United States, published several years ago, found that high-performing principals all enjoyed greater freedom to make important decisions regarding their schools. The principals of private and charter schools had been granted this freedom in the way that they were constituted, but public school principals had to seize this right or otherwise negotiate permission.⁵

The challenge, as I see it, is how to structure the delivery of public services so that managers are given a charter to assume a leadership role. Not every public service manager is willing to bluff, haggle or undertake significant professional risks in order to negotiate such a charter for themselves. The negotiation and signing of a quasi-contract would contribute to the creation of space within which the managers can manage.

5 Samuel Casey Carter, *No Excuses: Lessons from 21 High-Performing, High-Poverty Schools* (Washington: Heritage Foundation, 2001) pp.3-4.