MORE WITH LESS:
THE NEW PERFORMANCE CHALLENGES
FOR THE UK PUBLIC SECTOR
(2011 AND BEYOND)

RESEARCH REPORT BY
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EXECUTIVE SUMMARY

Public sector organisations in the UK are presented with the most demanding performance challenges in living memory. The recent comprehensive spending review reflected the poor state of the public finances and therefore imposed an era of financial cuts and constraints onto public sector organisations. Against a backdrop of ever-increasing service demands this means that public sector leaders have to find ways of delivering more with less.

This report summarises the findings of the largest independent study into public sector performance in the UK to date. Senior managers from over 400 public sector organisations shared their views on the key performance challenges and how they could be overcome.

The report finds that many public sector leaders predict service deteriorations and see the key challenges in coping with the financial constraints, dealing with reduced staff morale and finding ways to deliver better service in a more cost effective way. Public sector leaders believe that management practices have to become more intelligent and decision-making more evidence-based. However, while successful companies such as Google, Tesco or eBay do this extremely well as they collect relevant and meaningful information to inform their day-to-day decision making, most public sector organisations waste enormous efforts collecting and reporting data that they will never use in any meaningful way.

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This study reveals the shocking truth that public sector organisations spend about 20% of their time on form-filling, auditing, measuring and reporting performance but only a fraction of this is ever used to gain relevant and new insights or to make better decisions that lead to performance improvements. Put simply: one day a week is wasted by mindlessly collecting and reporting data that is never or rarely used.

While gaining new insights from relevant data is an essential way of e.g. understanding customer demands and improving service delivery in the commercial world, most public sector organisations see it as an administrative function or a “tick box” exercise. It is not seen as critical input into the strategic decision making process and rather as a “Big
Brother’-type control function. This fact is reflected in another shocking finding which reveals that a massive 66% of senior public sector leaders believe that individuals in their organisation occasionally fabricate data. This means that systems can’t be trusted and that they might provide invalid input into the decision making process, possibly leading to the wrong or counter-productive decisions and resource allocation, and ultimately failing to make any positive impact on performance.

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Overall key findings in this study include:

- **A need for better planning**: Most public sector organisations in the UK still need to revise and review their strategy in light of the comprehensive spending review and the financial constraints. Going forward it will be important to better concentrate on the things that matter the most by agreeing a smaller and more focused set of priorities. Once the non-negotiable priorities are identified, organisations need to ensure that services are delivered in the most effective and efficient manner. This study finds that the majority of strategic plans in UK public sector organisations are not clear and focused, and that most organisations have yet to review and revise their strategic plans in response to the spending cuts.

- **A need for better performance management**: The vast majority of UK public sector leaders are convinced that better performance management practices hold the key tool to efficiency gains and performance improvement. However, poor performance management practices are holding organisations back. Public sector leaders need to ensure that more meaningful data is used and analysed to inform evidence-based decision making and performance improvements. This study finds that there is a massive skills, practice and leadership gap in UK public sector that prevents them from turning their masses of performance data into usable insights.

- **A need for better alignment**: This study finds that too many management practices are performed in isolation instead of aligning them to create a comprehensive and integrated management framework. In the new era of financial constraint public sector organisations can no longer afford not to align performance management processes with budgeting, risk management and project management.

The challenges ahead are massive. What this study shows is that only by identifying what really matters and then managing the delivery in an integrated way, based on real facts and evidence, can UK public sector organisation tackle the ‘more with less’ agenda that will prevail for any years to come.
Many organisations have difficulty in designing and implementing a comprehensive corporate performance management regime that supports and drives improvement. Without it, organisations are depriving themselves of vital information they need to manage their business and to demonstrate improvement to their stakeholders. The key is a strong culture of improvement where good performance is recognised and built on and where poor performance is challenged, and effective underlying systems. Organisations that get it right are undoubtedly more likely to succeed and are best placed to thrive in difficult business environments.

Professor John Baillie

Chair of the Accounts Commission, Chair of Audit Scotland Board, Member of the Reporting Panel of the Competition Commission.
INTRODUCTION AND OVERVIEW

The poor state of public finances (reflected in the cuts announced in the recent comprehensive spending review) means that leaders of public sector organisations in the UK are presented with the most demanding challenges in living memory. The UK Government is paying back the huge cost of avoiding the feared “great depression,” that many economists felt would occur thanks to the “credit crunch,” mainly by making deep cuts to public sector budgets. It can be reasonably argued that the public sector is paying the price for the catastrophic mistakes of others.

Most government or public sector organisations face the stark reality that, and perhaps for a number of years until public purses are healthy again, they have to deliver services with substantially less financial resources than has hitherto been available. But here’s the conundrum, public sector organisations cannot simply slash spending and accept the corresponding collapse in service quality. The general public (the consumers of public sector services) will not tolerate a degradation of services. They will continue to expect the same level of service that they get from the best of the commercial world. Consumers today set their performance benchmarks across and not within industries and sectors. Public sector organisations must remain or become high performers; a difficult task given the pressures they are under. Put another way, public sector organisations face the huge challenge of doing “more with less”. That is delivering better outcomes for stakeholders but with less resource.

ABOUT THIS RESEARCH

This study represents the largest research project into UK public sector performance to date. Senior public sector managers form 405 organisations responded to an online survey and a number of in-depth interviews were conducted with a further 12 organisations. See Figure 1 and 2 for a breakdown of respondents by organisation and country.

**Fig. 1: Reponses by Organisation Type**

- Local Government Organisation (34%)
- Central Government Organisation (17%)
- National Health Services (16%)
- Non-Departmental Public Body (13%)
- Police, Fire and Rescue Services (11%)
- Education Organisation (9%)

**Fig. 2: Responses by Country**

- Northern Ireland (10%)
- Wales (8%)
- Scotland (16%)
- England (66%)
MORE WITH LESS

Before delving into the research data let’s first flesh out what we mean by “more with less”. Doing “more with less” means that public sector organisations must strive to deliver the same or enhanced services but with reduced resources, which requires a heightened focus on efficiency but without a fall in effectiveness. As one interviewee from a Scottish local authority puts it: “Efficiency is delivering the same level of service for less resources or more service with the same resources.” Efficiency, he argued, was not simply a matter of slashing costs but about improving performance without increasing costs.

The core focus of most public sector organisations going forward is to improve (or at least maintain) performance levels while substantially reducing costs.

Of course, this is easier said than done. Another interviewee from an English council made the comment that “All of us in the public sector are moving into territory that none of us have ever experienced – how we deal with the challenges has yet to be seen.” Yet another interviewee from another UK council was more pessimistic: “We have to make efficiency gains,” he said. “We have identified some areas where this is possible. But we are starting to run out of ideas.” And it should be understood that those public sector organisations that have strived in recent years to be very efficient might have less scope for easy cutting than those that are presently bloated and unwieldy.

MORE WITH LESS: THE WORRIES OF THE PUBLIC SECTOR

And doing “more with less” is, according to this research, the biggest challenge facing public sector organisations in the UK (as it is in a number of other developed nations). An open question in the survey asked: what do you believe are the biggest performance challenges that your organisation is facing at the moment: “doing more with less,” was the dominant answer and by some distance. Comments included:

- “Ensuring we provide quality services with limited resources.”
- “Maintaining and improving performance whilst reducing costs”
- “Value for money - achieving the same outcomes for less spend.”
- “Delivering the savings required to address the shortfall in funding while maintaining/increasing service quality.”

A particularly interesting response was this one: “The cuts are likely to fall primarily on non-frontline functions which, unless new ways of working can be found, will mean that
front line staff will spend more time doing non-frontline activities making them less efficient and less effective.”

Clearly, being less efficient and less effective is not an option for public sector organisations. Indeed many of the survey responses pointed to the challenge of cutting costs while facing increasing customer expectations.

The “more with less,” theme also came through clearly in our case interviews. “This is a huge challenge for us and all in the public sector right now,” explains Gillian Porter, Head of Performance, Durham Constabulary. But this organisation has already put in place efficiency programs and so is simply looking to accelerate the program rather than create something from scratch. “A couple of years ago we implemented the Durham Process Improvement Programme,” Porter explains. “Through this programme we found a significant amount of duplications and other types of waste, the removal of which has led to efficiency gains of around four million pounds so far.” But she adds: “The present economic climate means that there is a huge need to ramp up those savings. It’s going to be very much about what are we not going to do as an organisation and what are the absolute must-do’s. What are the critical things the public expect from us?” Porter continues that delivering the efficiency gains will likely lead to some service disruption, but this is something they are working hard to avoid.

In the same tone another interviewee says that the deployment of value for money programmes has led to about a million pounds in savings over the past two years. Moreover, the use of value for money indicators along with customer feedback shows that the organisation is delivering the same, and in many cases, improved services at a reduced cost. But he also adds: “Whether we can continue to make such savings without impacting service must be open to question.”

If well performing organisations have some concerns regarding performance degradation (and are working hard to make sure it doesn’t happen) then we can safely assume that most public sector organisations will experience a reduction of service quality. The bad news is that this will not be tolerated by citizens, who will vent their anger back to local and in some cases national politicians who will in turn redirect this back to the leaders of public sector organisations.

It became apparent from the comprehensive spending review that the swingeing cuts to public sector budgets will lead to substantial job losses. Indeed the haemorrhaging of jobs will likely be greater than has ever previously been seen in the UK public sector. It should not be a surprise to anyone, therefore, that managing staff morale is currently perceived as a significant challenge within public sector organisations. Consider this sample of responses from survey participants: “Staff morale is likely to be affected and may have a detrimental effect on performance,” “Keeping up morale while cutting jobs [will be a challenge]” and “It will be difficult to increase colleague engagement on vision and strategy when people’s concerns are around job security.” Yet maintaining staff morale will be crucial as public sector organisations look to deliver “more with less”. Employees will need to be “on-side.” At the very least this will require public sector leaders to be honest about likely job cuts and to ensure that appropriate attention is paid to keeping communications processes open and two-way.
BETTER MANAGEMENT IS THE KEY TO SUCCESS

So realistically how can public sector organisations deliver to the non-negotiable “more with less” agenda? This study finds that better management will be the key to improving public sector performance. In particular, public sector organisations need to:

- better focus their efforts on a smaller set of strategic priorities that really matter
- improve the way they manage performance and make decisions
- collect more relevant data and use it to inform more intelligent and evidence-based decision making
- improve performance leadership to instil a culture of accountability and continuous improvement
- better integrate their management tools and practices

SHARPER STRATEGIES WITH CLEARER PRIORITIES

One might reasonably expect that given the tumultuous upheaval that is being presently experienced by the public sector that strategies are being revisited and dramatically reshaped. Therefore we might be a touch surprised about the findings in this survey which reveal that only 35% of survey respondents had reviewed their strategy in reaction to the spending cuts, although 59% were planning to do so. Surprisingly 6% of respondents had no plans to review their strategy (Figure 3). If public sector organisations are going to survive and thrive in this new and bleak economic landscape, they really must become more proactive in planning performance than seems to be the case right now.

Yet, further drilling into the research findings uncovers more worrying concerns regarding strategy management within the UK’s public sector. Fully 60% percent of our survey respondents believe strategic objectives and priorities are either understood only by the senior team or that there are many confusing and conflicting objectives (Figure 4).

Various other research reports find that up to 80% of strategies, however well conceived fail to deliver expected benefits. The key reason for failure is an inability to execute on the strategy due to a lack of understanding of strategic goals deep within the organisation. Given today’s pressures the leaders of public sector organisations must ensure that they put in place the mechanisms to properly and unambiguously communicate strategic goals. They must also ensure that the processes and systems are in place for the
effective execution of the strategy and that they implement robust strategic learning frameworks.

An established best practice for ensuring that an organisation can identify and focus on key objectives is the creation of strategy maps to visualise the strategy on a single page. Repeated research has shown that those organisations that visually map their strategy into meaningful cause-and-effect maps tend to have a significantly better understanding of strategy and as a consequence perform better.

For example, consider the experience of Audit Scotland, a high performing organisation that provides the Auditor General and the Accounts Commission with the services that they need to check that public money is spent properly, efficiently and effectively. Having amassed a wealth of useful data and information regarding stakeholder priorities over the coming years, Audit Scotland faced the not uncommon challenge of distilling this down into something that was focused and manageable. To achieve this, Audit Scotland crafted a strategy map that comprises just two outcome objectives and nine supporting activities (see Figure 5). Each of these, which are collectively aligned to the organisation’s vision, is supported by key performance questions and key performance indicators – which together provide rich insights into how the organisation is progressing toward its strategic goals. As Chief Operating Officer, Diane McGiffen notes: The more data and information that was generated from surveys, discussions and other formats, the more challenging it became to identify and focus on the critical few things that will really make a difference to our performance,” she says. “We knew we had very good stuff, but we were having difficulty in distilling it into something that was focused and manageable.”

Encouragingly 34% of survey respondents are using strategy maps (Figure 6). This represents a significant improvement upon the 10% of organisations that stated they did so in API’s global study “Strategic Performance Management in Government and Public sector Organisations” conducted two years ago. And from interviews for this report and other work it is clear that those that use strategy maps see this intervention as critical in identifying the performance priorities over the coming years. Durham Constabulary has recently completed the process of creating a strategy map. Porter makes the important comment that: “It’s more important now than ever before that we create a strategy map. As an organisation we need to understand
the critical things that we must deliver to and align our budgets accordingly. Strategy maps will also help us shape our organisational structure – we will understand what the right structure is to deliver what’s important”. Overall, the survey shows that there is massive potential to improve the strategic focus and understanding in UK public sector organisations. A clear strategic focus boils down to the public sector organisation being very clear about what the citizens or politicians require and delivering to these objectives in the most appropriate and cost effective way. Having a clear understanding of what matters the most enables organisations to explore how to improve the delivery of core activities and how to deliver non-essential activities differently and cheaper. For instance, many public sector organisations are beginning to take note of the significant effectiveness and efficiency gains realised by commercial organisations through the outsourcing of non-core activities or the creation of shared services organisations (through which the administrative processes of the support services of the business units within an organization are consolidated into a centralised unit so to deliver economies of scale and improve internal customer service).

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Lee Banks of the Kent-based Sevenoaks Council explains how they are actively exploring shared services as a way to reduce costs while maintaining, or improving performance levels: “As part of our drive to make efficiency gains we are looking to implement a shared services organisation across our back office functions,” he explains. “This is something we will be focusing on within the next year and should deliver significant efficiency gains as well as improving internal service levels.” Shared services are already used by some UK councils, such as Surrey County Council which has consolidated Employee and Payroll Services, Procurement and Accounts Payable Services, Accounts Receivable, Credit Control Services and Financial Management and Reporting Services. As well as the potential of delivering efficiency gains, the implementation of a shared services organisation (which is also true of outsourcing) frees up the time of retained staff to do more value-added work. Shared Services and outsourcing are certainly worthy avenues to explore for doing “more with less.”

The survey data shows that organisations are not yet making full use of management tools such as strategy maps to clarify and focus their strategic plans.

This survey data shows that organisations are not yet making full use of management tools such as strategy maps to clarify and focus their strategic plans. Once the strategy is clear and understood the right performance management practices need to be in place to implement and execute the strategy.
The vast majority of respondents (92%) are convinced that performance management practices hold the key to future success and that they can be used as a strategic tool to actively drive the efficiency or “more with less” agenda (see Figure 7). This is very encouraging as this is exactly what the most successful commercial companies are doing.

Management expert Dr David Norton defines performance management as “the execution of the organisation mission through the coordinated effort of others” and continues to argue that “performance management is a system and a process that impacts everyone in the organisation. You can argue that performance management is the most important job of a manager. In fact, you could argue that the execution of the organisation mission through the coordinated efforts of others is the only job of management.”

While there is recognition of the fact that performance management holds the key to future success, this is where the good news end. In fact, this survey finds that it is poor performance management practices that are holding UK public sector organisations back.

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The survey finds that while performance management activities and efforts have gone up significantly over recent years, they are not delivering any useful insights or improvements. Basically, a massive amount of effort is wasted when it could so easily be used to support better fact-based decision-making and evidence-based management in public sector organisations.

The key problems identified are:

- wasting resources through a lack of relevant information and useful insights
- cheating and fabrication of performance data to ‘look better’
- a lack of performance leadership ensuring the strategic usage of performance information
WASTING PRECIOUS TIME AND RESOURCES

This research finds that 83% of survey respondents report that performance management activities have increased over the last two years (Figure 8). Although on the surface this might seem a positive development, deeper analysis uncovers another story. Most of this increased activity has been focused on “feeding the beast,” (that is complying with externally imposed targets) than it has been on internal performance improvement. The focus on performance management has increased but this does not necessarily equate with a heightening of the focus on performance.

Indeed we find that most organisations are spending more than 10% of their total allocated time on performance management. In fact, forty percent spend more than 20% and almost a quarter more than 30 (see Figure 9). This is an awful lot of time and effort. A figure of around 10-15% might be acceptable and is a level of effort highly intelligent companies would spend. However, what we find is that the massive efforts of UK public sector organisations are largely number-crunching exercises and not adding value. Given the present economic pressures, public sector leaders need to focus attention squarely on ensuring that their performance management efforts are leading to the delivery of mission-critical insights that leaders can act upon.

Perhaps unsurprising given the “tick-box” pressures of recent years, many survey respondents are acutely aware that they need to be much better at the analysing of, and acting upon, data. One respondent noted that: “we need to spend more time analysing and understanding data rather than just producing reports and feeding corporate beasts. This then needs to be incorporated into strategic decision making.”

Another respondent noted: “We need to ensure that data that is collected is meaningful, outcome focused and shows the benefit to [customers].”

All organisations, be they in the commercial or public sectors, routinely collect masses of data. Few organisations will state that they have too little data. Unfortunately, this data is rarely translated into actionable knowledge. Although true of many organisations within various industries, it has been painfully evident within the

\[\text{Fig. 8: Have the activities in relation to performance management increased over the past 2 years?}\]

- Yes, significantly (46%)
- Yes, slightly (37%)
- Stayed the same ((11%)
- No, decreased slightly (6%)
- No, decreased significantly (0%)

\[\text{Fig. 9: How much time (as a percentage of overall time available) is taken up by collecting, recording, checking, storing, sharing, reporting, reviewing, analysing or debating performance data in your organisation?}\]

- Up to 10 % (40%)
- More than 10% (20%)
- More than 20% (15%)
- More than 30% (18%)
- More than 40% (4%)
- More than 50% (2%)
Public sector where, over recent years, the priority has been on collecting data as a means to meeting targets set by central Government or regulators. Most public sector organisations have built large and expensive baronies, whose sole purpose is to collect and report data. The data is rarely used for the purpose of performance improvement – a tick box mentality has prevailed.

LACK OF MEANINGUL INFORMATION AND INSIGHTS

Public sector organisations in the UK are failing to turn their masses of data into meaningful information and insights. As it stands now, managers are largely not receiving the information they need to make better informed decisions. A quite shocking half of survey respondents believe that just 10% or less of their performance management efforts ever gain new and valuable insights. In fact, the vast majority (fully 82%) state that not even half of their data collection and reporting efforts lead to useful insights (Figure 10).

Given the main objective of managing performance and the huge pressure public sector leaders are under at the moment, it is certainly more than worrisome that most organisations (almost 60%) believe that no more than a tiny fraction (10%) of their performance management effort is helping their organisation to drive efficiencies or drive out inefficiencies (Figure 11).

Fig. 10: What percentage of your performance management efforts (collecting, recording, checking, storing, sharing, reporting, reviewing, analysing or debating performance data) is helping your organisation to gain new and valuable insights?

Fig. 11: What percentage of your performance management efforts (collecting, recording, checking, storing, sharing, reporting, reviewing, analysing or debating performance data) is helping your organisation to drive efficiencies / drive out inefficiencies?
We can therefore safely conclude that the majority of public sector organisations are clearly not translating their data into actionable knowledge. A point we stress in this report is that performance management should largely be focused on helping organisations gain relevant insights to drive efficiencies and performance improvements, and this is clearly not the case.

However, some organisations are starting to do things differently. Consider the experiences of the UK-based police force Durham Constabulary. Gillian Porter comments that: “We link everything that we do to our organisational effectiveness and control strategy. She continues that: “The way that we have designed our systems is that they are accessible by everyone. Over the last 12 months we’ve devised a system called DCOP – Durham Constabulary Organisational Performance - which presents data in a way that we can easily analyse and understand”. Porter adds that through the proper interrogation of data (which was not just focused on meeting national targets) Durham Constabulary had put in place what it calls a “citizens’ journey.” Porter says that: “We realised that citizens had priorities that we needed to meet.” Within Durham Constabulary data is being used to trigger performance improvement interventions, explains Porter, who adds: “We have seen significant crime reduction this year. We are hovering around 40% detection rate – the second highest nationally. Last year we were hovering around 28%. Our crime reductions were average. So just by using our information and focusing on key areas we have seen significant improvements.”

In order to address the challenges ahead, more organisations across the UK public sector have to start turning their data into useful insights and performance improvements.

CHEATING TO ‘LOOK BETTER’

Another finding that doesn’t boast well for good performance management is the shocking revelation that staff fabricate data to ‘look better’. In fact, a vast 66% of the public sector leaders in this survey admit that occasionally individuals in their organisation make up or fabricate performance data (Figure 12). This is a strong indication that there is a lack of accountability and ownership of performance and often an unintended side effect of heavy top-down control. Cheating is particularly likely in situations when staff feel that managers or other external stakeholders impose performance targets onto them which they don’t agree with or don’t see as relevant or insightful.

This essentially means that most public sector organisation in the UK are not creating a culture in which performance management is about improving performance but rather one in which “naming and shaming” or “punishment or reward” prevails, often fuelled by centrally imposed targets and the publishing of performance league tables.

As a result systems can’t be trusted and might provide invalid input into the decision making process, possibly

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**Fig. 12: Are you aware that occasionally individuals in your organisation make up or fabricate performance data?**

- Yes (66%)
- No (34%)
leading to the wrong or counter-productive decisions and resource allocation, and ultimately failing to make any positive impact on performance.

One of our interviewees made the insightful comment that: “Whenever people feel that not meeting performance targets has significant consequences then there is enormous temptation to manipulate data to make performance look better than it actually is. All organisations need to be aware of this. So we have a good quality assurance system with which to validate the data.”

This signals the fact that public sector organisations need to inculcate a culture that is indeed focused on performance improvement and not on using data as a means of punishment or merely “looking good”. As an example from the commercial sector the enormously successful Tesco has worked hard to create a culture that is clearly focused on performance improvement. Tesco wanted to establish a culture in which everybody feels responsible for performance. Where staff come up with new ideas and where they are allowed to challenge and improve performance. Sir Terry Leahy, Tesco’s CEO, says that “people must not hold in knowledge and need to share thoughts and information.” He adds “…we have to take risks to be successful. This means we have to allow people to be wrong. We are not about box-ticking and being wrong with everyone else.” Highlighting underperformance is seen as something that is applauded since early awareness of potential problems allows the organisations to address them before they become real issues.

This differs from most public sector organisations where there’s almost a big brother approach in place where people think they need to demonstrate good performance and everyone therefore strives to have everything green on their scorecards as opposed to highlighting things that are not going so well and actually doing something about it. Perhaps such an attitude has been encouraged by the heavy hand of external target setting.

That said, the coalition Government in the UK is sending out strong signals that there will be a significant easing of these pressures. For instance, the Care Quality Commission announced the scrapping of Council’s annual performance assessments that rate adult social care and there is about to be a lessening of externally imposed policing targets, according to the home secretary. But more telling is the surprising decision to abolish the Audit Commission by 2012 (which checks the efficiency of 11,000 bodies including the police, fire services and local authorities). And this brings us to an important finding from our survey. Fully 64% of survey respondents believed that developments such as the abolition of the Audit Commission would present a real opportunity to essentially switch the data collection focus from feeding the external reporting beast to enabling the organisation to focus on what they think is important for performance improvement purposes. That is measuring what really matters. One senior leader comments: “The efforts involved in collecting data for the Comprehensive Area Assessments conducted by the Audit Commission have become so large that all our resources are taken up by feeding this machine and no time is left to measure and analyse the things we feel are important locally. We now have an opportunity to change this.”
Although generally seen as positive, 35% of survey respondents believe that abolishing the Audit Commission and moving to less centrally imposed targets will lead to a risk that performance management will be taken less seriously (Figure 13). This finding strongly suggests that a significant number of public sector organisations believe that if there are no external targets to hit, then their organisational leaders might think “why bother with performance management?” Given the severe and unprecedented challenges ahead, rather than being a time to abandon or deemphasise performance management public sector leaders must redouble their performance management efforts. More accurately, perhaps, is that the focus should shift from the simple collecting and reporting of data to the intelligent analysis and usage of that data – the simple and overriding question must be “how can we collect relevant information that we can use to improve organisational performance?”

LACK OF PERFORMANCE LEADERSHIP

It is noteworthy that a number of respondents pointed to failings of senior management as a major barrier to inculcating strong performance management disciplines. One respondent noted that although performance management practices were maturing under the guidance of a new Chief Executive, “the majority of senior managers still have a long way to go to move away from a blame culture to an open and honest approach. They also have difficulty in separating objectives (what we must achieve) and activities (how we will deliver that achievement). This often results in measuring and reporting the wrong or inappropriate things like inputs rather than outputs and outcomes.” Another respondent stated that: “Our performance management systems and processes are first class, but the leadership does not wish to use them in the way that brings the most benefit.”

Leadership shortcomings were also highlighted by another respondent, who said, “there is a generational issue here. Older managers are still reluctant to embrace performance management, but we are seeing that change with new, younger managers that are coming through. Performance management will become more important as years go by.” The importance of senior management leading appropriate performance management efforts cannot be over-emphasised. Senior leaders have to instil a culture and accountability for data collection and analysis right through the organisation. Without the support of the senior team (and especially the chief executive) performance management will simply not migrate from a tick-box exercise, and indeed this viewpoint will likely be reinforced.
A number of public sector organisations are making successful effort in rolling out responsibility for performance management throughout the organisation. “Performance management is done by the people on the ground,” explains Rachel Glendinning, Corporate Improvement Officer of the Yorkshire-based Harrogate Council. “Too many companies see performance management as a being something that you do at the centre, which is a completely wrong approach.” Another interviewee, Dave Lago, Performance Manager and IT lead of the Humberside-based City Health Partnership in Hull, adds that: “We set out to make sure that individual services are responsible for their own information and data. Historically, performance management was seen as being about collecting data that is wanted elsewhere. So in the performance department we will facilitate and help them improve data-flows etc, and we will look at that against what we expect from them, but the information is owned by the service lines.”

Leaders of public sector organisations are responsible for setting the context for good performance management and have to ensure it is used to support strategic decision making and to drive performance improvements. Again, our data shows that many are failing at this task. This was reinforced by the answers to our question: “In your organisation, what is generally believed to be the main role of measuring and reporting performance?” Whereas 36% said that the main goal was to provide information to inform strategic decision making, 46% said it was to inform operational decisions. Moreover 11% of respondents viewed measuring and reporting performance as simply an administrative burden (Figure 14). In most public sector organisations, therefore, performance management is not seen as strategically important and in some cases not even operationally important: it is deeply worrying that in a large percentage of cases it is seen as no more than a chore.

**Fig. 14: In your organisation, what is generally believed to be the main role of measuring and reporting performance**

<table>
<thead>
<tr>
<th>Role of Measuring and Reporting Performance</th>
<th>% of Overall Response</th>
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<tbody>
<tr>
<td>Providing information to inform operational decision making (46%)</td>
<td></td>
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<tr>
<td>Providing information to inform strategic decision making (36%)</td>
<td></td>
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<tr>
<td>Just an administrative burden or a statutory function to demonstrate performance levels to external auditors or regulators (11%)</td>
<td></td>
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<tr>
<td>Providing information to improve financial control (7%)</td>
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**BETTER ALIGNMENT OF MANAGEMENT PROCESSES**

A further area analysed by this research was how well performance management processes are aligned and integrated with other key management processes such as risk management, project and programme management, or budgeting, as three examples. Previous research has highlighted that performance management practices in the public sector are often operated in isolated siloes and run in parallel to other key management processes, failing to align them to create a comprehensive management framework.

Here we find some surprises in the UK survey when compared to API’s 2008 global survey. The alignment of budgeting is relatively similar at 46% in the global survey and 42% in the UK survey. Alignment with project or program management has improved
from 41% globally to 52% nationally. But the most surprising movement was the integration with risk management. Whereas just 14% of global respondents stated that their performance management efforts were integrated with risk management, this ballooned to 75% for the UK survey (Figure 15). As much as anything this points to organisational focus post credit crunch. It seems that risk is no longer something on the perimeter of the thinking of public sector organisations but is a mission critical consideration.

But there are other key messages when analysing the answers to this question. It is critical that budgeting is fully aligned to performance management processes. Performance management informs senior managers as to what they have to achieve, based on empirical evidence. Budget alignment makes sure that performance improvement activities are appropriately funded. As it is clear that aligning strategic planning with performance management is central to performance improvement efforts, it is odd that 85% of survey respondents comment that they have aligned strategic planning with performance management – but if projects and budgets are not aligned (as our data shows) then it is difficult to see what planning processes have actually been aligned.

Appropriate IT and software infrastructure is an important enabler of better performance management. More organisations in the UK public sector are using specialised performance management software tools and move away from simple spreadsheet tools such as Microsoft Excel. This is a positive step as it is widely documented that spreadsheet applications have many limitations when it comes to the effective managing and reporting of performance. However, the bad news is that the number of different software tools in use is too high. Having too many tools in place often reinforces data and information siloes, especially when systems don’t speak to each other and allow data integration and analysis across the different applications. This study finds that most (74%) are using between two and five different software tools while 17% use between 5 and 10 tools and 3% use more than 10 applications to handle performance related elements. Only a small minority of 6% have one fully integrated system to handle planning, reporting, risk management, compliance, analytics, project management, etc.

What this research identifies is that steps have been made to better align management processes but further efforts are needed to overcome data and process siloes to create integrated and comprehensive management systems to tackle the more for less agenda.
CONCLUSIONS AND KEY RECOMMENDATIONS

This study of the performance challenges the UK public sector is facing has highlighted serious concerns about possible deteriorations of service levels and staff morale. The demands, from central Government and citizens alike, will force public sector organisations to do “more with less”. If organisations are to continue to maintain or even improve service levels in this era of financial cuts and constraints then they have to improve the way they manage performance. Excellent performance management disciplines are no longer a “nice to have” but the key to survival.

Unfortunately, this research finds that most public sector organisations have a long journey ahead before they switch from a “tick-box” performance management mentality to one in which the purpose is the identification of mission-critical data sets that are interrogated and analysed so that they inform the decision-making process: the translation of data into actionable knowledge. Being tasked with the non-negotiable doing “more with less” means that developing such capabilities must move to the top of the agenda of public sector organisations. Citizens and central Government will demand that management becomes more intelligent and evidence-based.

Based on the findings of this research, the key recommendations are:

1. Public sector organisations have to revise their strategy in light of the current spending cuts and identify a smaller set of vital strategic priorities they have to deliver. A one-page plan outlining the real outcome deliverables and non-negotiable core activities would be useful to help everyone understand and focus.

2. Public sector organisations need to identify what information they require to answer their big unanswered questions and then collect meaningful and relevant data that will help them answer their key questions. They need to take ownership of management information and analysis and ensure they turn their data into better decision-making and insights that lead to actual performance improvements.

3. Public sector leaders have to take a lead in instilling a performance and improvement culture in their organisations. The need for more intelligent and fact-based decision-making has to be led from the top which in turn helps to instil accountability for data collection and analysis right through the organisation.

4. Public sector organisations need to better align their management processes to overcome management and information siloes and to ensure they create an integrated and aligned management system that brings together processes such as strategic planning, budgeting, analytics, risk management, project and programme management.

5. Overall, public sector organisations have to move from a culture of pen-pushing and form filling to one that tackles the performance challenges in ways successful commercial companies had to do when they were facing the challenges of a global recession over the past few years.
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At present, Bernard heads up the famed Advanced Performance Institute. Prior to this he held influential positions at the University of Cambridge and at Cranfield School of Management. Today, he holds a number of visiting professorships and fellowships and he serves on the editorial boards of many leading journals and publications in the field. His recent books include: ‘More with Less: Maximizing Value in the Public Sector’, ‘The Intelligent Company: Five Steps to Success with Evidence-based Management’, and ‘Managing and Delivering Performance: How Government, Public Sector and Not-for-Profit Organizations can Measure and Manage what Really Matters’. Bernard’s expert comments on organisational performance regularly appear in high-profile publications such as the Times, Financial Times, the Sunday Times, Financial Management, the CFO Magazine and the Wall Street Journal.

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This study was conducted by:

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New book on Public Sector Performance:

More with Less: Maximizing Value in the Public Sector
By Bernard Marr and James Creelman,
Published by Palgrave Macmillan (2011)

New book on Turning Data into Insights and Decision Making:

The Intelligent Company: Five Steps to Success with Evidence-Based Management
By Bernard Marr
Published by John Wiley & Sons (2010)

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