



Managing for Organisational Performance: Directions for Reform

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Aims of the session

- Provide a reminder of the:
 - purpose of the research
 - findings of the survey and case studies
- Provide a summary of our analysis of the *formal system* and the gaps between the system *as designed* and *in use*
- Open up the options for bringing the two closer together – directions for reform
- Invite questions and comments – **as we go**



M4OP: Purpose of the research



M4OP – Project Research Questions

Research Question – what information is actually used by decision-makers and what, if any, use is made of the formal organisational performance information (OPI) ?

Policy Question – what is the direction for reform that better aligns key users' wants and experiences ?



M4OP: Findings of the survey and case studies



Survey results: a public service of rules and control

- Managers are not ‘muddling through’ or mainly working in horizontal informal networks ... they are mainly managing activities to plan and following rules
- Although the reforms shifted the locus of control to departments, control still dominates
- There was less variation in the results across departments than we expected



The dog that didn't bark ? What we expected ...

- We expected that managers would:
 - think the information they got from the organisation was of poor quality
 - replace formal, structured information with informal, unstructured, tacit information and direct experience (the more so the closer they were to the front line)
 - have better information on outputs than outcomes

... and what we found that managers:

- have mixed views about the information they get – relatively high dissatisfaction with information on quality and performance after nearly 20 years of output based budgeting
- make extensive use of formal organisational and numerical information for performance management (the more so the closer they are to the front line)
- tactically manage inputs through processes to deliver activities / outputs; with few examples of ‘managing for outcomes’



M4OP: The *formal system* – as *designed* and *in use*

M4OP – Stylised Assessment

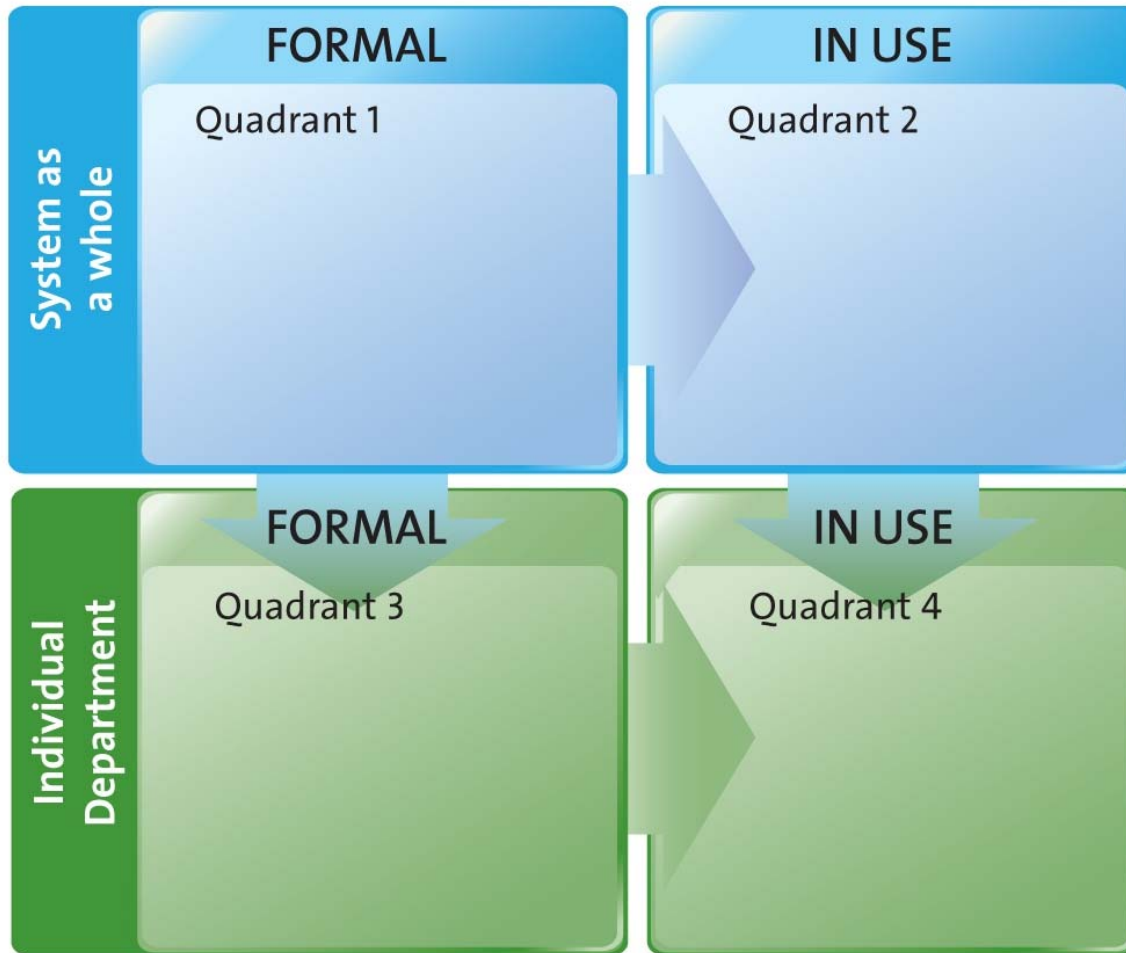
Standing back ...

- Legislatures do not directly or routinely use current, formal organisational performance information [literature review]
- Ministers' use of OPI is variable and limited
- Central agencies' use of OPI tends to be as a fire alarm – it is ignored until it goes off !

M4OP Stylised Findings – Standing back ...

- Departments' use of OPI varies – generally on the basis of:
 - the predominant function
 - level and role within the organisation
- Departments use OPI for internal 'control' –
 - there is less use for external legitimation, and learning than suggested by the literature
- There has been a shift from '*making* managers manage' to '*letting* managers manage' – see diagram on the next slide

M4OP – the Formal System



The *formal* and *in use* systems

Premises

- *System as a whole* (Q1) as reflected in:
 - Legislation – OIA, PFA, SSA, CEA etc
 - Cabinet Manual (including convention)
 - Central agency guidance (in many forms)
- *Individual departments* (Q3) as reflected in:
 - Accountability documents – external and internal; organisational and personal
 - Policies and procedures

Reality

... and what happens in practice (Q3&4)

It is important that we distinguish ...

Constraints inherent in:

- *Politics* – specifically Westminster democracies
- *People*
- *Measurability* of (some) public services

Limitations:

- Inherent in the *design* of the formal system
- Design *incompleteness* in NZ
- That reflects poor *implementation* (and not design flaws)

Perspectives – legislature; Ministers; departments

Legislatures – premises (Q1) vs reality (Q2)

- Parliament will use OPI to ... improve the Executive's performance
vs to attack the Executive (Ladley's iron rule)
- Parliament will be supported by meaningful independent assurance

vs information is poor and the assurance skill set (for statutory audits) is uncertain

Conclusion – Ladley's rule is a constraint inherent in Parliamentary democracy

Ministers – premises (Q1) vs reality (Q2)

- Politics and administration will be separated through clarity of respective roles (Min / CE)
vs all risk is potentially political – separation varies with political capital / salience
- Ministers will set outcomes; select interventions
vs Ministers are interested in 10% of what / why / how depts. ‘do’; find ambiguity useful
- Ministers will use OPI to scrutinise departments
vs Ministers use OPI as fire alarms

Conclusion – constraints inherent in Cabinet Government and people

Departments – premises (Q1) vs reality (Q2)

- Chief Executive should have freedom to manage (with variable styles)

vs central agencies seek consistency (*one size fits all*)

- Departments' OPI will be used for Chief Executive accountability, rewards and sanctions

vs central agencies use OPI as fire alarms

Conclusion – greatest potential for change at a system level and within departments



M4OP: Directions for reform



M4OP – Directions for Reform

Possible responses to the gap between Q1 and Q2 within the Executive:

- Ignore the gap – muddling through
- Close the gap by modifying the design
- Close the gap by moving practice to better align with the design
- Close the gap by moving practice forward by enhancing the design

Strategy 1: 'Back to Basics' – Change Design to be Consistent with Practice

Elements		Dimensions	
<i>Objective Setting</i>	Increase focus on outputs Remove outcomes from the PFA	<i>Locus</i>	Individual agency
<i>Emphasis in OPI Development</i>	Improved non-financial performance measures	<i>Focus</i>	Output
<i>Changed Emphasis in OP Reporting</i>	Increased consistency in performance measures and reduced requirement for outcome	<i>Purpose</i>	External accountability
<i>Monitoring</i>	Use OPI in CE performance reviews linked to remuneration	<i>Scope</i>	Comprehensive output reporting

Strategy 2: ‘Work with what you’ve got’ – Work with Current Design and Augment Practice

Elements		Dimensions	
<i>Objective Setting</i>	Double hatting outcome leaders & champions	<i>Locus</i>	Clusters of agencies activities
<i>Emphasis in OPI Development</i>	New Impact / Outcome measures	<i>Focus</i>	Impacts/ Outcomes
<i>Changed Emphasis in OP Reporting</i>	No change in external reporting	<i>Purpose</i>	Decision-making
<i>Monitoring</i>	Contribution to collective used in CE performance reviews	<i>Scope</i>	Selective outcomes, differential output reporting

Strategy 3: 'Working with the Grain' – Augment Practice through Minor Design changes

Elements		Dimensions	
<i>Objective Setting</i>	CE leadership of Strategic Management System	<i>Locus</i>	Cluster of agencies activities
<i>Emphasis in OPI Development</i>	Cascade from Govt to agency priorities	<i>Focus</i>	Selected priority impact & outcomes
<i>Changed Emphasis in OP Reporting</i>	Focused on Govt. and agency priorities	<i>Purpose</i>	Decision-making
<i>Monitoring</i>	Use OPI in CE performance reviews	<i>Scope</i>	Differential output, selective outcome reporting

Strategy 4: 'Finish the Job' – Enhance the Design to Lead Practice Change

Elements		Dimensions	
<i>Objective Setting</i>	Ministerial Outcome Responsibility Statements	<i>Locus</i>	Clusters of agencies
<i>Emphasis in OPI Development</i>	Outcomes Hierarchy	<i>Focus</i>	Comprehensive Outcomes
<i>Changed Emphasis in OP Reporting</i>	Impact & Outcome reporting	<i>Purpose</i>	External accountability
<i>Monitoring</i>	Use quality of outcomes thinking in CE performance reviews	<i>Scope</i>	Comprehensive outcomes and differential output reporting

What are the imperatives for reform?

- *Framing* – what's measured is managed – powerful opportunity to shape performance (negatively or positively)
- *Undermining legitimacy* – after 20 years non-financial information is still poor; credibility of all Government reporting is undermined
- *Future imperative* – increasingly characterised by networks, complexity and emergence (not hierarchies, stability and predictability)
- *Value for Money* – would M4OP system pass a cost-benefit test? If not, what can be dropped?

Next steps

- IPS Workshop (mid July)
- Finalisation of Conclusions
- IPS Book (end August 2010)
- Develop reform implications for the Future State

- Copies of these slides can be found on
- http://ips.ac.nz/events/Ongoing_research/M4P/index.html
- <http://www.ipanz.org.nz/>

Questions for Discussion

- Which strategy do you favour and why?
- If new reporting is required– what should be dropped?

Contact M4OP team via – derek.gill@vuw.ac.nz



Blank on purpose

What stops change – what are the primary constraint(s) ?

- *No demand for performance information* – value for non-routine purposes ?
- *Lack of effective capability* – either “don’t have the data; have the data, lack the ability to interpret; or have the data and capability, never tried”
- *Lags* – takes time, sustained investment, commitment, leadership

What stops change – what are the primary constraint(s) ?

- *Resources* – measuring outcomes / effectiveness can be hard and expensive (as can some aspects of output performance, especially quality)
- *Inherent limits to OPI / measurement generally* – ‘politics’; gaming; cheating; synecdoche; complexity

Reform response –: remove ... (1)

- (Reduce) focus on financial reporting (for some / all departments) – retain cost / price
- ‘Comprehensive’ non-financial reporting – distinguish internal (intra-government) and external (non-government) service delivery
- Separate service performance (including cost / price) from financial reporting
- Remove specific outcome information – shift focus on outcomes to policy & evaluation

Reform response –: remove ... (2)

- Specific outcome information – shift focus on outcomes to policy design and evaluation
- (Soften) ‘purity’ of the building blocks – distinction between outputs / outcomes; output appropriations; appropriation types etc