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ORGANIZATION DESIGN AND FRONTLINE SERVICE IMPROVEMENT IN
GOVERNMENT:
THE CASE OF PERFORMANCE TARGETS IN THE UNITED KINGDOM

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Over the last 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. In this situation, the words typically associated with the effort are “accountability” and “transparency.” Political overseers are made aware of performance, and may then react based on a judgment about whether performance is good or bad. Other times, government organizations have gone beyond 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 basic idea is that various non-financial performance measures serve a role analogous to the profit measure in firms for encouraging better performance. Performance management is thus seen as a potentially powerful tool to remedy underperformance in government.

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. 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 (“headquarters”) in contributing to performance improvement where actual performance is delivered by dispersed subunits. Thus, I am interested in the role of central institutions in (for example) improving police performance, delivered by frontline police forces, but not in their role in improving agency environmental regulations, which is delivered by central government itself.

Since 1998, each government department has established a central capacity for performance management of frontline units within its domain. Additionally, in 2001 the Prime Minister’s Delivery Unit (PMDU) was established to work on prime ministerial priorities involving 21 targets in four departments (Health, Education and Skills, Home Office, and Transport), a modest subset of the total of 110 targets for government, and only about half the targets for these 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, like a firm’s CEO, has periodically met with ministers (like operating division heads in a firm) responsible for priority targets, in events called “stocktakes.” 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 were not traditionally considered hierarchical reporting ones.

This paper has both descriptive and prescriptive aims. Descriptively, it seeks systematically to present techniques U.K. central government has used for performance management, thus exploring a new activity inside government, about which we know little. Such systematic description also permits comparison with ways corporate headquarters units behave (about which we know more, e.g. Chandler 1962; Goold and Campbell 1987; Egelhoff

1988). Prescriptively, it asks whether these techniques appear likely to have positive effects on performance. Central 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 even making performance worse.

This paper should be seen in the context of a larger debate in organization design literature, where the question of to what extent organizations should be centralized is classic (Mintzberg 1979: 181; Nadler and Tushman 1988: 109). The approach to the prescriptive question will be to compare organization design theory to government practice. I begin with a theoretical question: through what kinds of activities are central units likely to play a useful role improving subunit performance, and through which is its role likely to be useless or counterproductive? The paper will then look at actual activities. Central government will be judged to have good prospects for improving frontline performance to the extent efforts have occurred where predicted to have potential to add value, while avoided where predicted to be useless or counterproductive. This approach is like the one Peterson (1995) used in evaluating American federalism. However, the paper will not address the empirical question of whether, in practice as opposed to theory, central government efforts have improved performance, a question to be addressed econometrically, at least for one target, in separate research (ANONYMIZED).

CENTRAL GOVERNMENT'S ROLE: THEORY

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) value infusion.

Decisionmaking

In traditional literature, the most important dimension of centralization where decisions are made – centralized organizations make decisions at the top (Mintzberg 1979: 181; 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 approval before the unit may proceed (Mintzberg 1979: 158, 199-200; Goold and Campbell 1987: 43).

The literature presents several arguments for why centralizing decisions can produce better ones. The most elementary – though seldom stated in so many words -- is that people at the top are generally smarter. If promotion is approximately meritocratic, talent should increase as hierarchical position increases. “(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, 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 make good decisions than those lower down. Fourth, in government specifically, since those at the top are themselves elected, or appointed by those who are elected, giving decisions to them may provide greater legitimacy (Finer 1941).

But the literature notes, 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). Second, lower units are “closest to the work being performed” (Nadler and Tushman 1988: 110) and thus may better have information needed to decide how to cope with specific problems.² Third, centralization, by reducing local autonomy, reduces motivation and effort, including the motivation to come up with answers oneself (*Ibid.*: 111; see also Mintzberg 1979: 183; Hackman and Lawler 1971).

In the specific context of central government organizations, there are also grounds for skepticism about whether top officials are likely to have any natural advantage over local ones in deciding how best to promote subunit delivery. Traditionally, most central unit activity has involved policymaking. Few central government officials have had experience on the front lines of their organizations. Efforts have been made to redirect senior interest, but this has not been painless. (When Margaret Thatcher tried to get ministers to become “chief executives in their ministries as well as policy-makers-in-chief,” her plea 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)

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 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).³ 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/Appraisal

The idea that the central unit should monitor and appraise behavior 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, it may cause people to work harder and more effectively. Second, if an important way measurement improves performance is by focusing attention on measured dimensions rather than 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 linked to performance. Through all these paths, a central unit can improve frontline performance through monitoring/appraisal. Additionally, in government monitoring/appraisal is closely tied to widely held public demands for organizational accountability (Behn 2000).

Monitoring generally occurs through ex post reporting of activities undertaken and/or of performance against centrally established measures. In Goold and Campbell’s study (1987: 40, 43) of managing diversified businesses, all firms submitted performance data at least monthly to headquarters. When central units monitor performance, they also typically become interested in

the quality and comparability of the data provided (Chandler 1962: 60-61, 107, 145). Central government monitoring of subunits has a long tradition, but it traditionally centered on activity reporting. Central target monitoring/appraisal should thus be seen as an evolution and intensification of this tradition.

In the design literature, monitoring/appraisal is seen as less problematic than decisionmaking. Indeed, a classic view has been that ex post monitoring can substitute for ex ante decision control, providing subunits greater autonomy (Galbraith 1973: 13-14; Mintzberg 1979: 151).

However, close monitoring, particularly mixed with appraisal, creates resentment (Gouldner 1954: Ch. 10-11; Etzioni 1975: Ch. 1-2). Particularly in a public-sector context where civil servants are often attacked by political leaders for lack of ability or dedication, monitoring/appraisal may be resented as a sign of lack of confidence by the central unit in frontline employees. Resentment creates, at a minimum, political pressure from subunits to reduce monitoring, particularly in public organizations where one may bring 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 creates the risk that increases in monitoring become self-limiting. Additionally, if close monitoring was not expected when people began working for the organization, it may produce perceived violation of a social contract at work, reducing 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 even extrinsic reward, may reduce intrinsic motivation among those with an intrinsic orientation to the organization's public-service mission, counteracting positive effects of incentives (Deci and Ryan 1985; Deci et al. 1999; Frey and

Oberholzer-Gee 1997). Given this, the likelihood monitoring/appraisal will add value increases if the central unit undertakes value infusion efforts (discussed below) to counteract these effects.

Locus for Investments in Knowledge Creation and Transfer

Since the classic design literature was written, considerable interest has developed in the knowledge-based theory of the firm (Grant 1996; Spender 1996; Nonaka 1994; Brown and Duguid 1991; Kogut and Zander 1992) and in organizational learning, both through knowledge creation and knowledge transfer (Huber 1991; Argote 1999). In this view, an important reason firms exist in the first place is that it is easier inside their boundaries to select practices appropriate to producing value and to 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 design literature appears: a central unit can improve frontline performance by providing knowledge about effective practice. 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/copyright protection or other ways to keep it private, individual organizations can't make a profit selling it), and, under similar conditions, use by one party doesn't preclude use by others. This creates a collective goods problem for getting information produced -- individual parties (such as organization 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 -- here by a central unit on behalf of subunits -- is the classic solution (Stokey and Zeckhauser 1978: 305-19).⁴

Classically, knowledge is created centrally by research conducted at the center. Knowledge may also be created as a byproduct of monitoring (Huber 1991: 99). Monitoring reveals better and worse performance; a central unit may then compare practices 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, 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 (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 central decisionmaking through directives about what approaches local units should follow. In this view, central units may ab initio be poorly placed to make decisions. However, they may, for reasons discussed here, develop good knowledge over time. Rules may then be a way to codify knowledge, facilitate its transfer, and make it less subject to forgetting when employees turn over (March et al. 2000; Adler and Boryn 1996; Argote 1999: 72, 75).

Two things should be noted about this. First, with this argument, justification for central decisionmaking moves (as Spender 1989: 23 notes in discussing Frederick 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 often useful, and becomes easier to transfer and is less likely to be forgotten when written down as routines (Argote 1999: 75, 88). But there is also a tendency coercively to impose practices with insufficient evidence they work, or to impose them universally though they work only in certain situations or when applied in specific ways (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) combined with specific conceits of people in central units (those contributing generally to inappropriate centralization) suggest these units will be too quick to take knowledge snippets and impose them.

Beyond problems when a central unit codifies knowledge into directives, its role as a locus for knowledge creation and transfer is not fully unproblematical. The main danger is that “the central functions take on a life of their own...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 is handled through central knowledge-creation, this reduces local knowledge-creation that might otherwise have occurred. This means central knowledge creation may be self-limiting, since it is partly based on observing local practices, which in turn at least in part reflect local knowledge-creation investment.

Value Infusion

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 members “from an expendable tool into a valued source of personal satisfaction” – connecting what they do to a larger purpose. Selznick argued that one of a leader’s main roles was to articulate an appealing organizational vision. 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). Value infusion partly should take place through first-line supervisors and other local managers. But top leaders in central units, because of their visibility and access to a “bully pulpit,” are effectively positioned to communicate these messages. However, though Selznick wrote before the upsurge in work on organization design, his argument was ignored in that literature, which tended to see leader roles more in the POSDCORB tradition (Gulick 1937), ignoring a value infusion role for central units.

A rekindling of interest in a value infusion role for leaders occurred during the 1980’s and 1990’s.” Kotter (1990: 73, and generally Ch. 5; see also Burns 1978: Ch. 2) 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.” Weick (quoted in Pfeffer 1992: 284) suggested “the appropriate

role for the manager may be evangelist rather than accountant.” Bartlett and Ghoshal (1993: 38-40) applied this view 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.”

Value infusion on behalf of an organization’s goals is one way a central unit can work to improve frontline performance. Establishing a goal improves performance by motivating people, and “the goal-performance relationship is strongest when people are committed to their goals” (Locke and Latham 2002: 707). Also, as suggested earlier, value infusion is important to counteract negative effects of central monitoring/appraisal on performance. Control creates resentment. Resentment will decline if employees feel commitment to the goals being monitored.

Value infusion is even more important for public than private organizations, because of the presence of public-service motivation – a commitment to values the organization promotes through its activities (such as health for National Health Service staff) – among many government employees (Crewson 1997; Houston 2000). This creates both fertile ground for value infusion involving the organization’s goals, since pre-conditions for such commitment are already present among many employees, and also an increased danger that if an effort, such as targets, is seen as unconnected or contrary to the organization’s mission, it will be rejected.⁵

In the case of targets, the aim of value infusion would thus be to associate targets with organization mission. Central leaders of the targets effort should show – through speeches, documents, and meetings -- they identify themselves with the organization’s mission and explain how targets promote the mission – “we care about reducing waiting time in hospitals because we care about patients” -- rather than being simply a box-ticking exercise. Particularly in a public-sector context, central leaders should also emphasize their own identification with people on the

front lines, to counteract the impression that monitoring/appraisal reflects a lack of confidence in their abilities or dedication.

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 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 central government efforts are most likely to improve local performance when they involve knowledge creation/transfer about good practices and leader value infusion. Regarding the former, central government should be cautious about making new knowledge into binding directives. Central government monitoring/appraisal also generally makes sense, though it is more likely to work if mixed with value infusion. And the area for greatest caution is intervention in subunit decisions about how to improve performance.

DATA AND METHODS

63 interviews were conducted during 2004 with civil servants responsible for targets at PMDU and the four Whitehall departments PMDU covers (Health, Education and Skills, the Home Office, and Transport).⁶ 23 interviews were with PMDU and 22 with department staff, including higher-level managers supervising several targets. (Of 21 target areas PMDU monitored in 2004, interviews were conducted with officials responsible for 16.⁷) 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 delivered by local subunits⁸ but were not in departments PMDU monitored. The PMDU director was also interviewed.

Interviews were semi-structured. For material for this paper, respondents were asked a broad open-ended question about central interventions for the target for which the respondent was responsible. This was followed by probes to learn specifically about intervention categories of theoretical interest. (Other open-ended questions will be analyzed in another paper from this project. ANONYMIZED) These questions were supplemented by a brief survey using fixed-response questions (generally Likert-type scales). Codes for open-ended questions were created and analyzed using ATLAS.ti 5.0. Additionally, relevant archival material was consulted.

RESULTS

PMDU undertakes four standard activities for all targets for which it is responsible, and additional ones for their targets (about two-thirds) 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 a target and laying out "trajectories" for performance improvement over its life;

(2) assuring frequent, current performance data exists (including data on subunit performance where delivery occurs that way);

(3) 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) seeking to understand the delivery production process and develop (via department-level units) "best practices" for performance improvement;

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

Many features of the PMDU technology grew out of the experience of Michael Barber, PMDU's first director, at Education between 1997 and 2001, where he was in charge of school test score targets. Under the previous government, legislation had been passed allowing central intervention to replace management or shut down badly performing schools; Barber wanted to change a punishment-only approach to one he named "pressure and support," later rebranded as "challenge and support" (Barber interview).

PMDU's instinct has been to force-fit its activities to this technology. It wanted Transport to collect traffic congestion data by local area, to facilitate comparison, while Transport felt that approach was inappropriate. In asylum processing, not mostly delivered through subunits, PMDU took the one element of delivery where there were subunits (13 "local enforcement areas" that remove people whose application had been denied) and established its technology there.

Some features of a central government role are common across all three types of targets examined – those where PMDU is involved, non-PMDU targets in PMDU departments, and non-PMDU departments. To the extent there are differences, central interventions have been more extensive the closer the target stands to the PMDU sphere.

Decisionmaking

PMDU originally required departments to submit a delivery plan for each target. The plan discussed actions the department would undertake to achieve delivery, along with trajectories and "milestones" for improvement. Formally, PMDU did not need to approve plans, but it typically made comments and often requested plans be resubmitted. PMDU eliminated this requirement in 2005, stating departments had learned how to do these on their own.

Three of the four departments with PMDU targets have developed similar arrangements with subunits, for requiring local plans for target delivery. In Health, each local hospital and

local primary care trust prepares an annual local plan. Health must approve these plans, a process typically taking about six months. In the Home Office, the same occurs for police forces. Education requires each school to develop an annual plan, but approval requirements were eliminated in 2004. The only department with PMDU targets not to require local plans is Transport. 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, and they do not need to be approved centrally.

PMDU also quasi-imposed practices with considerable frequency -- I estimate that for seven of 16 targets examined. ("Quasi-imposed" means practices were not legally required, but units were told 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."

Though numbers are small, practices were less likely to be imposed for non-PMDU targets: for the eight examined, in only one case was any practice imposed.⁹

The prototype for imposition was Barber's efforts on primary school education during the first Labour term. All schools were told to adopt a program for teaching reading based on the phonics method. Practices were imposed at a great level of detail, including a daily "literacy hour" and detailed curriculum prescribing when material, to the level of teaching semicolons, was to be introduced. Following introduction of the "National Literacy Strategy" (and a corresponding one for math), test scores improved noticeably.

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

Managers in charge of a well-performing [health] trust are in a position to “put two fingers up” at [central government] for 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 below¹⁰ 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 what 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 had been made tougher during the most-recent review.¹¹ Both responses reflect greater skepticism about lower-level willingness voluntarily to embrace performance improvement using targets.

As noted earlier, when practice imposition is based on central knowledge-gathering rather than simply the greater wisdom of the central unit, such imposition is easier to justify. For all but one of PMDU-imposed practices, the interview mentioned an evidence base for the practice.

Monitoring/Appraisal

Central government's monitoring role was mentioned in virtually every interview. Interviews were replete with accounts of meetings where performance data were 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, with numbers and a narrative of key events. It prepares an assessment for the Prime Minister of status, using a traffic light summary, for each target (PMDU N.D.#1). PMDU also develops a "league table" rating overall status for all its targets, so performance can be compared. Departments in turn hold their own monitoring meetings. Health and the Home Office hold monthly meetings (for Education, quarterly), chaired

by the permanent secretary.¹² Transport holds a meeting only for rail punctuality (with the junior minister for railways). Such meetings also occur at JobCentres Plus, but not Environment.

Data improvement was often the first action PMDU took. For seven of the targets examined, PMDU required departments to collect new data and/or increase collection frequency for existing data. Previously, drug treatment data was eighteen months out of date, and school attendance data came only once a year. When central government stepped up attention to the emergency room wait target, data began to be submitted weekly.¹³ One argument, repeated in many PMDU interviews was that better data was needed if 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.

(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 16 PMDU targets, rewards/punishments were tied to target attainment. (By contrast, this did not occur for any non-PMDU targets.¹⁴) 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. Physicians were given cash to place patients at-risk for certain diseases in registers to be used 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. 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.

(3) Providing a basis for subunit comparisons: For schools¹⁵ and hospitals, there are annually published "league tables." Also, comparative local crime statistics are available on the Internet, though not published as league tables. For prisons, 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 seek to motivate good performance by creating a non-financial incentive -- good scores are a source of pride, while bad ones "name and shame" (a common British term).

What none of these [police] Chiefs like to be told...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 allowed greater freedom from central attention -- an approach called "earned autonomy" (HM Treasury and Cabinet Office 2004: 24).

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. As 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, stated:

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 subunits performing below par.¹⁶ This forms the basis for further central attention. This may involve more frequent monitoring or requirements for improvement plans. It may involve more intense interaction with them:

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” -- knowledge about how to do a better job -- as well as “challenge.” This will 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 presented as being on the “policy/delivery interface.”

Second, there were repeated references to the importance of gaining knowledge about what interventions worked, seen by 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 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 hindrance to better

delivery. Interest in evidence may also be seen as an outgrowth of the traditional central role sponsoring program evaluation research.

But in connection with targets, many new activities involving knowledge creation/transfer began as well, that involved learning from frontline delivery experience more than sponsoring research evaluating policies at a more abstract level. The least-intrusive new activity was to establish a node for people from subunits 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. Bodies were established in Education, Health, and the Home Office (but not JobCentres Plus or Environment) to develop and transfer information about "best practices." PMDU also created "priority reviews," quick-turnaround studies to model a production process. 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.

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. On the other hand, you weren't a team composed of people exactly like there were out there.

For emergency room wait times, the National Health Service body in charge of developing good practice undertook an effort to understand the 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 of them was called "See and Treat." It 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 one 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 more serious ahead of them.

A priority review on violent crime provides a feeling for how 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. Visits included extensive time with local police, but also time accompanying officers on their beats, and in closed-circuit camera

surveillance locations, pubs, and emergency rooms. 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 notices¹⁷ 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. 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. 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 in people for anything from several-day visits to 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.

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 [principal] 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.

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 making these units poor performers in the first place may also mean they lack absorptive capacity (Cohen and Levinthal 1990) to assimilate 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:

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."

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.)

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.

Value Infusion

Value infusion was the dog that didn’t bark. A number of comments in the interviews made clear that many of the respondents themselves saw a strong ethical dimension to their own commitment to better public service delivery. For 3 of the 4 PMDU staff who had previously worked in consulting, this was a major reason for joining PMDU. (One interview stated, “I was itching to do something more meaningful and worthwhile.”) And Barber’s own speeches did often connect targets with a public-service mission. But no PMDU interview, and only two with department staff, mentioned efforts to get the front line to see a connection between targets and

mission.¹⁸ Indeed, some PMDU interviews about education and health targets included negative comments about civil servants as an “interest group” that selfishly opposed targets.

Two interviews specifically worried that central government was losing the battle for frontline hearts and minds on targets, a sign of the failure of value infusion. 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. ...I think people feel undermined and dehumanized by targets really in ways that we probably haven't understood.

DISCUSSION

In general, we see in the data a decent match between activities theory would predict to be ones where a central unit has good prospects of contributing to subunit performance, and those that central government in the U.K. has actually taken for performance management using targets. The worries are excessive central decisionmaking and insufficient value infusion. In this exploratory research on a new practice in government, it is also interesting to observe similarities between actions central units in government takes and those corporate headquarters undertake in firms. We also note the very important role for knowledge creation/diffusion in these central activities, consistent with research adding this dimension to theories about organization design. And we note that the intensity of central performance management varied systematically by the degree of influence of the dedicated performance management unit, PMDU, that had no other organizational responsibilities, on management of the target in question.

The clearest failure involves failure to attempt value infusion. Beyond the general arguments presented earlier, value infusion specifically to connect targets with agency mission is important because targets are expressed as indicators, not the underlying mission the indicator embodies. They thus create risk of goal displacement (Merton 1968: 249-60) where people orient themselves to attaining the target rather than the underlying mission goal. 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, seeking to disassociate them from the substance of better performance. (In the U.K., opponents have highlighted examples of situations where meeting a target hurt achievement of another goal -- for example, cancer patients whose treatment was allegedly delayed so treatment for patients with less-urgent conditions could be treated at under the targeted time -- and used metaphors comparing targets with central planning in Stalin's Soviet Union. Thus, target opponents have done a better job at, so to speak, reverse value infusion than have supporters at achieving value infusion.) Also, the more value infusion establishes a connection between target and mission, the lower the cultural acceptance for data manipulation or gaming (Behn 1991: 75; Hood 2005). 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 being pursued for their own sake.¹⁹ Failure to undertake value infusion is a serious shortcoming of central government actions, one that has been having, and will likely continue to have, negative consequences for the targets effort.

It is hard to draw firm conclusions about whether central government has been too quick to make decisions. One would speculate -- though no review of these documents, requiring a paper of its own, was undertaken to support such speculation -- that plans that lower units have been required to submit for central approval have involved significant busywork and box-ticking.

Additional work would also be required to judge which imposed practices were sensible impositions. Imposition, as part of the coronary mortality reduction target, of a requirement to give people with certain indications cholesterol-lowering statin drugs appears to accord with an accepted evidence-based conclusion. (Cholesterol Treatment Trialists' Collaborators 2005)

Similarly, a phonics-based literacy strategy seems broadly 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 imposed seems high. On the other hand, one 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 that might be followed to reach the targets. One got little impression that PMDU staff entertained any strong principled aversion to imposition; some seemed rather to like it. However, in almost all cases of imposition, interviews referred to an evidence base, suggesting central action was seen as an outgrowth more of a knowledge-creation role than of hierarchical authority. Furthermore, central government did not monitor compliance with practices, only for performance results.²⁰

Recently – and enshrined in the 2004 "spending review" that included a review of targets (HM Treasury and Cabinet Office 2004) -- there have been efforts to reduce central monitoring and decisionmaking. The official view is that this reflects the developing maturity of frontline capacity. Another view is that an overly centralized system is hard to maintain over time. Partly, this may be because of resentment it creates and resultant pressures to lighten up. This may also reflect operation of a phenomenon -- discussed as "cooptation" in literature on frontline regulatory inspectors (Hawkins 1984: 52-53) -- whereby central unit staff grow "softer" as they get to know lower units better. 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. Two PMDU interviews stated that initially the organization made heavy use of required delivery plans and prime minister stocktakes as levers, but over time these had diminished in importance compared with ones involving personal relationships. Thus, PMDU influence seems gradually to be occurring more through network than hierarchical position.

This paper has implications for organization design theory, beyond this case.

Decisionmaking and monitoring/appraisal roles for central units have received extensive attention in traditional design literature. Knowledge creation/transfer and value infusion have not. Neither the words “knowledge,” “learning,” “vision,” nor “mission” appears in indexes of classic books on organization design. In the traditional literature, the question of how best to design an organization to process information to make decisions was crucial, but the literature ignored how to create and transfer knowledge (Nonaka 1994: 14). Nor were leader value infusion roles considered. One explanation for this 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. Another is that attention in organization theory in general to learning and knowledge, and an increase in interest in the value infusion role of leaders, postdate the heyday of research on design, so the literature has not caught up with general organization theory.²¹

Suggestions that a central unit can add value regarding knowledge creation/transfer and value infusion are fairly uncontroversial. Thus, the fact these are largely ignored in traditional design literature means that this literature may underestimate useful roles a central unit can play, and that organization design theory needs to be updated.

The results presented in this paper have important limitations. Descriptively, further examination of central government performance management practices would help better

determine what kinds of interventions occur universally when performance management is undertaken – and ask why (one might imagine both natural selection and neo-institutional explanations) – and which are specific to the context examined here. .Most importantly, the paper has presented no evidence of the extent to which central efforts have been successful in practice, a topic requiring separate research. In particular, it would be helpful to exploit variance in the presence of central intervention techniques to discern the influence of different of the techniques discussed here; for example, ANONYMIZED compares performance changes among poorly performing local units receiving heightened central “challenge and support” with changes among the next-most poorly performing ones, whose initial performance was similar to the worst-performers but who did not receive these interventions.

But the results here do advance both descriptive and prescriptive knowledge of this new practice in government. In all, British central government seems to have landed in a decent place in terms of a potential to contribute to performance improvement. As – or when? – performance management becomes routine, governments may have a good approximation (with the important exception of failure to address value infusion) of practices that might be followed to contribute to the improved public-service delivery 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 This problem is related to the first, since if one could easily transfer local information upwards, central decisionmakers might be able to act.

³ 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.”

⁴ 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). 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 narratives (1962: 153-54, 156, 214; Chandler 1977: 430) present numerous examples of a knowledge creation/transfer role central units played. Yet his theory (1962: 9-II, 291) does not notice these empirical findings – he did not incorporate these activities into generalizations about appropriate roles of headquarters in the multidivisional firm.

⁵ For these reasons, it is no surprise this argument originated with Selznick, writing about public organizations.

⁶ Additional interviews were conducted with officials in Treasury; these will be analyzed in a separate paper.

⁷ 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.)

⁸ In the case of Environment, for air quality and recycling.

⁹ 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.

¹⁰ See pp. xx.

¹¹ 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).

¹² The most-senior department civil servant.

¹³ Interviews made no mention of any central role to improve data standardization or quality (the latter left to auditors).

¹⁴ 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.

¹⁵ This had actually begun under Prime Minister Major in 1992.

¹⁶ 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.

¹⁷ 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.

¹⁸ One of the two was an interview with a department official responsible for a non-PMDU target, which 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.” The other was a Health interview stating:

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.”

Also, 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.

¹⁹ This phrase was not used by any central-government interviews, but is anecdotally said to be used with some frequency on the front lines of the system.

²⁰ I am grateful to Shelley Metzenbaum for noticing this.

²¹ Martinez and Jurillo (1988) note a change in the focus of research on the role of headquarters in multinational corporations, 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. I am grateful to Shelley Metzenbaum for the point about reduced cost of knowledge development.