POLICY BRIEFS

Implementation Challenges

Policy Briefs 9
July 2010

Crawford School of Economics and Government
ANU College of Asia and the Pacific
The Australian National University

ISSN 1835-3703 (print)
ISSN 1834-8599 (online)

POLICY BRIEFS

Contents

About this Policy Brief

Greater coordination or joined up services is a key theme in the Australian Government's Service Delivery Reform agenda. While there is general agreement that collaboration or joined up government often leads to better outcomes for service recipients, effective collaboration or cross-boundary work is often elusive. In the first part of this policy brief, Janine O'Flynn explores one of the reasons why cross-boundary collaboration often fails to achieve desired results; namely the four key factors that facilitate effective cross-boundary work can also constrain effective cross-boundary collaboration. In the second part of this policy brief, Adrian Kay extends the discussion of working across boundaries by looking in more detail at attempts in the UK to work across geographic boundaries in the provision of health services. In the third part of this policy brief attention shifts to the micro-level when Ann Nevile examines the impact of one way (key performance indicators) in which the centre tries to control the local even when service delivery is decentralised or contracted out. Nevile argues that KPIs based on a principal/agent view of the purchaser/provider relationship is inherently flawed and outlines an alternative model in which incentives for agency survival are more closely aligned to positive outcomes for all service recipients.

Previous Policy Briefs are available online:
http://www.crawford.anu.edu.au/research/papers

About the authors

Janine O'Flynn is Director of Education in the Crawford School and her research interests are in public sector management, reform and policy. Janine leads the Crawford flagship course Government, Markets and Global Change and she teaches Case Studies in Public Sector Management. She also teaches a component of Delivering Public Value and is regularly involved in the Pacific Executive Program for the Australia and New Zealand School of Government.

Adrian Kay is an Associate Professor in the Policy & Governance Program at the Crawford School. He has previously held academic appointments in the UK and at Griffith University, Queensland. Prior to an academic career, Adrian was a member of the UK government's European Fast Stream for several years and spent a year working for the European Commission in Brussels. His major research interests are in the broad areas of comparative public policy and international public policy, with a particular empirical focus on health, agriculture and bioenergy.

Ann Nevile is a Senior Lecturer and Director of the Social Policy Action Research Centre, Crawford School of Economics and Government at the Australian National University. Her academic work, which focuses on government/third sector relationships and how these relationships affect outcomes for service users, is highly valued by policy practitioners, both in government and those working in non-government service delivery organisations, because it addresses practical issues of implementation.

Implementation Challenges

Working across boundaries: Barriers and enablers

Janine O'Flynn

Implementation of public policy relies heavily on working across boundaries - organisational, jurisdiction, sectoral, and national. Lauded as critical to implementation success, effective cross-boundary work has become somewhat of a 'holy grail' of actual practice. A cavalcade of terms has emerged to describe this - horizontal coordination, joined-up government, collaboration, whole-of-government, holistic government, collaborative governance and so on. However, there is a core element that binds these various manifestations – the notion that we must traverse boundaries to achieve goals. Such is the intensity of focus that Kelman (2007:45) has argued that the topics of collaboration across government agencies and between government, private and non-government organisations are the "most-discussed questions involving the performance of public institutions and achievement of public purposes."

It has become common to bemoan the existence of these boundaries, to consider them as barriers to getting things done or "a symptom of obsolescent thinking" (Pollitt 2003:39). Yet boundaries play an important role in organising complex policy domains and the basis for their organisation varies. It is common to design for purpose, where all those from different functions focused on a common purpose come together (for example, in the development of specific regulations); by process or function, where experts are separated into functional units (such as accountants, lawyers, marketing); by clientele where all those dealing with the same clientele are brought together (for example, children's services or Indigenous services); or by place, where all those who deal with a specific geographical area are organised together (Kelman 2007:46, drawing on Gulick 1937). Whilst it is still the dominant approach to organise based on purpose or function, switching to another design principle does not solve the inevitable boundary issue. In fact, any design decision creates challenges of coordination because any task naturally contains pieces of each principle. Restructuring, therefore, does not dissolve boundaries, it simply creates new ones.

Such recognition focuses attention on the notion of traversing boundaries and this has featured in many of the 21st century models of governing. The New Public Service model focuses on collaborative structures and shared leadership (Denhardt and Denhardt 2000); the New Public Governance model includes notions of inter-organisational management, inter-dependent agents and on-going relationships (Osborne 2006); there is a strong relational, collaborative thread through the Public Value Management approach (Stoker 2006); and work on Integrated Governance demonstrates that new models of governing place horizontal collaborative, boundary-spanning ways of operating at their centre (Halligan 2007). In Australia, a collaborative, whole-of-government approach to governing has been placed at the centre of the new era of reform sketched out for the Australian Public Service in the 'Ahead of the Game' blueprint (Advisory Group on Reform of Australian Government Administration 2010).

While the attraction of working across boundaries to both public policy practitioners and scholars is clearly evident, the ability to engage in effective cross-boundary collaboration is often elusive. One of the reasons for this is that key factors which promote effective cross-boundary work can also act as barriers. In the remainder of this paper I discuss the four key factors that act as both enablers and barriers.[1]

Formal Structures

Structures clearly matter and can facilitate or block collaborative or cross-boundary working. For example, the Australian government has noted that "existing public sector institutions and structures were, by and large, not designed with a primary goal of supporting collaborative inter-organisational work" (Australian Public Service Commission 2007:17). The tendency toward functionalism also means that working across boundaries essentially "cuts against the grain" (Perri 6 1997:22). However, removing functional barriers is not a simple task and organising on other principles, such as client groups, creates new barriers. As has been noted in the UK context, "[s]imply removing barriers to cross-cutting working is not enough; more needs to be done if cross-cutting policy initiatives are to hold their own against purely departmental objectives" (Cabinet Office

1. See O'Flynn et al. (2010) for a more extensive discussion of these factors and several others.

Implementation Challenges

2000:5). A range of new structures, such as taskforces, can help but the power of formal structures can severely limit cross-boundary working.[2]?

Commonality and complexity

Another important enabler/barrier is the notion of commonality. With a sense of shared goals or outcomes working across boundaries can be more easily enabled but a lack of commonality can also undermine such attempts. Some argue that cross-boundary work needs agreement on what the problem is and an outcomes-focus to ensure parties are clear on their contribution to solving it (Parston and Timmins 1998). Much of the work on collaborative approaches highlights the importance of shared or common goals as an enabler of effective working across boundaries.

Commonality can sometimes be more easily engineered in times of crisis or when confronted with complexity and Lundin (2007) found that inter-organisational cooperation was both reasonable and beneficial in such situations. Conversely it was both costly and unhelpful when applied to simple tasks. Complex inter-organisational approaches should be contingent, and it has been argued that "most of what organizations strive to achieve is, and should be, done alone" (Huxham 1996:3). Head (2004:3) agrees, noting that "[s]election of inappropriate structures and processes can be a recipe for frustration among participants, and ensures under-achievement of goals". In other words, "don't work collaboratively unless you have to" (Huxham and Vangen 2004:200). Applying collaborative, cross-boundary approaches in the wrong setting may create long-term resistance to working across boundaries as it incurs high costs for little return.

People, culture and leadership

The success (or otherwise) of working across boundaries is partially attributable to the individuals that are called on to operationalise these notions, their ability to collaborate across hard and soft structures. Williams (2002) sets out clusters of competencies, skills and behaviours for competent boundary spanners which focuses on building and sustaining relationships, managing through influencing and negotiation, managing complexity and interdependencies, and managing roles, accountabilities and motivations. Successful boundary spanners "will build cultures of trust, improve levels of cognitive ability to understand complexity and be able to operate within non-hierarchical environments with dispersed configurations of power relationships" (Williams 2002:106). Despite the recognition of these skills, governments have tended to under-invest in developing them (Parston and Timmins 1998), and it is not clear that human resource management systems have been reconfigured to facilitate this need (Pollitt 2003).

Cultures have also been seen as critical enablers or barriers to effective cross-boundary working (Christensen and Laegreid 2007; Management Advisory Committee 2004). Indeed, it has been argued that the informal aspects of organisations are often the greatest barrier to successful change programs (Osborne and Brown 2005), and there has been considerable attention on creating more collaborative cultures in public sector organisations (Management Advisory Committee 2004; Advisory Group on Reform of Australian Government Administration 2010). Leadership has also emerged as a critical factor. Reports from the OECD (2001) point to the need for leaders to address interconnected problems, and Broussine (2003:175) has argued that leaders need to be able to "initiate concerted action not only within their own organizations but among a set of stakeholders with different and competing interests". Leaders are important in enabling cross-boundary work, providing the force, mandate and authority for operating in this way, and for leveraging resources across boundaries.

Performance, accountability and budgets

There are tensions between working across boundaries and the developments of the last decade or so which have focused agencies inward. Pollitt (2003) argues that unless these cross-cutting targets are given equal weight (and reward) then they will not get the attention they need. A failure to reconfigure performance systems, both for individuals and for organisations, creates powerful barriers to working across boundaries. Resetting these systems and restructuring incentives is critical to making this approach work.

Traditional accountability systems can also act as a major impediment with vertical accountability for individual agency performance acting as a barrier to joint action, common standards, and shared systems (Christensen and Laegreid 2007:1063). A similar point is made by Edwards (2001) who questioned whether the multiple accountabilities and ambiguities in partnering approaches could be tolerated, and the Australian Public Service Commission (2007) which questioned whether there is a lack of compatibility between the existing accountability framework, structured as it is around delivering on tightly specified program outputs and outcomes, and a model which seeks to work across boundaries. Of course, this relates to budgets which are historically hardwired into departmental silos, attached to functions and programs, not outcomes, trapping departments in short-term ideas, annual spending rounds, and resource battles (Perri 6 1997). To overcome this major barrier and enable more cross-boundary working, some have suggested that budgets should be pooled in pursuit of broader outcomes (see, for example, Wilkins 2002). Perri 6 (1997) has floated the idea of holistic budgets which are tied to outcomes or geographical areas, not functions or organisations. However, accountability issues emerge

2. See Perri 6 (1997) for a more detailed discussion of different types of new structures.

immediately and considerable readjustment of traditional approaches will be needed to accommodate such ideas. In part this is because pooling budgets and effort makes it difficult to own success or assign responsibility for failure.

References

6, Perri (1997), *Holistic Government,* DEMOS, London.

Advisory Group on Reform of Australian Government Administration (2010), *Ahead of the Game: Blueprint for the Reform of Australian Government Administration,* Commonwealth of Australia, Canberra, Australia.

Australian Public Service Commission (2007), *Tackling Wicked Problems: A Public Policy Perspective,* Australian Government, Canberra.

Broussine, M. (2003), 'Public Leadership', in T. Bovarid and E. Loffler (eds), *Public Management and Governance*, Routledge, London.

Cabinet Office (2000), *Wiring it up: Whitehall's Management of Cross-cutting Policies and Services*, Performance and Innovation Unit, London.

Christensen, T. and P. Laegreid (2007), 'The Whole of Government Approach to Public Sector Reform', *Public Administration Review*, 67(6), pp. 1059-1066.

Denhardt, R. and J. Denhardt (2000), 'The New Public Service', *Public Administration Review,* 60(6), pp. 549-559.

Edwards, M. (2001), 'Participatory Governance into the Future: Roles of the Government and Community Sectors', *Australian Journal of Public Administration*, 60(3), pp. 78-88.

Halligan, J. (2007), 'Reintegrating Government in Third Generation Reforms in Australia and New Zealand', *Public Policy and Administration,* 22(2), pp. 217-238.

Head, B. (2004), *Collaboration – What We Already Know, and How to Do It Better*, Australian Research Alliance for Children and Youth, 20th January, available at: http://www.aracy.org.au/ accessed 7th April, 2007

Huxham, C. (1996) (ed), *Creating Collaborative Advantage,* Sage, London.

Huxham, C. and S. Vangen (2004), 'Doing Things Collaboratively: Realizing the Advantage or Succumbing to Inertia?', *Organisational Dynamics*, 33(3), pp. 190-201.

Kelman, S. (2007), 'The Transformation of Government in the Decade Ahead', in D.F. Kettl and S. Kelman, *Reflections on 21st Century Government Management*, IBM Center for the Business of Government, Washington, pp. 33-63.

Lundin, M. (2007), 'When Does Cooperation Improve Public Policy Implementation?', *The Policy Studies Journal*, 35(4), pp. 629-652.

Management Advisory Committee (2004), *Connecting Government: Whole of Government Responses to Australia's Priority Challenges,* Australian Government, Canberra.

O'Flynn, J., J. Halligan and D. Blackman (2010), *Working Across Boundaries: Barriers, Enablers, Tensions and Puzzles*, paper presented at the International Research Society Conference, Berne, Switzerland, April 7-10. The full paper is available from http://www.crawford.anu.edu.au/staff/joflynn.php

Organisation for Economic Cooperation and Development (2001), *Public Sector Leadership for the 21st Century*, Paris.

Osborne, S. (2006), 'The New Public Governance?', *Public Management Review*, 8(3), pp. 377-387.

Osborne, S.P. and K. Brown (2005), *Managing Change and Innovation in Public Service Organizations*, Routledge, London.

Parston, G. and N. Timmins (1998), *Joined-up Management,* Public Management Foundation, London.

Pollitt, C. (2003), Joined-up Government: a Survey, *Political Studies Review*, 1, pp. 34-49.

Stoker, G. (2006), 'Public Value Management: A New Narrative for Networked Governance?', *American Review of Public Administration*, 36 (1), pp. 41-57.

Sullivan, H. and Skelcher, C. (2002), *Working Across Boundaries: Collaboration in Public Services*, Palgrave Macmillan, Houndsmills.

Wilkins, P. (2002), 'Accountability and Joined Up Government', *Australian Journal of Public Administratio*n, 61(1), pp. 114-19.

Williams, P. (2002), 'Competent Boundary Spanner', *Public Administration,* 80(1), pp. 103-124.

Implementation Challenges

What happens after big reforms: Implementation lessons from UK health care policy

Adrian Kay

Over thirty years of academic research into implementation has revealed the importance of the gap between policy-as-designed and policy-as-executed. The nature and scale of that gap is an important issue for policy-makers and public managers: the long-term durability of any reform depends on what happens tomorrow as much as it relies on what is agreed today in the high profile, showpiece moments.

Many things affect the gap such as interest group power, rent seeking behaviour, and bureaucratic parochialism. In addition, threats to reform durability importantly include the limits of political attention, both of the public at large and of myopic politicians who might be tempted to respond to the immediacy of the well-organised and voluble ahead of the broader and often longer-term public interest that might have inspired the reform.

The agreement of a reform package is only the beginning of the political struggle. Reform enactment could indicate a sharp, permanent break with prior patterns of public policy; indeed it may signal that a fundamental shift in the political environment. But of itself, agreement on a reform package does not settle anything. As the American political scientist, Eric Patashnik (2008:3) puts it: 'Losing weight is hard, keeping it off is harder'. Reforms are not one-off static affairs but rather dynamic political processes and the spirit of reforms must be kept alive politically and publicly in the implementation phase to ensure that the gap is minimised. The inherent features of political life still apply here; *a fortiori* in the case of health care policy which in Australian as in the UK is extraordinarily political.

Britain's National Health Service (NHS) has been the subject of a frenzy of reforms over the last twenty years. By the 1987 election, the Tories had doubled NHS spending from the levels inherited in 1979 but the money had, as Margaret Thatcher put it on national TV, disappeared down a 'bottomless pit' of NHS costs. In response came the 1990 NHS Act which marked the start of two decades of on-going reform. Thatcher's initial reform introduced individual budgets for doctors and quasi-independence for hospitals, forcing GPs to be more resource-minded and trying to release hospitals from the grip of the perceived reactionary tendencies of the medical profession. A bureaucratised NHS would be supplanted by a market-led local one.

The 1990 Act was undermined in its implementation by Her Majesty's Treasury, which refused to allow hospital trusts financial autonomy, even denying them freedom to negotiate their own wages. Without autonomy, hospitals lost control of their costs and shifted their financial burden back onto the exchequer. The politics of poor performing hospitals was revealed as treacherous in the implementation phase.

When Blair came to office in 1997 he dismantled GP fundholding and the internal market and there followed four structural reorganisations, roughly in 1998, 2002, 2004 and 2006 (though *connoisseurs* have counted seven) alongside another doubling of public health care expenditure in the UK.

There are many implementation lessons for Australia from the UK health care experience. For example, there is a difference between financial resources and real resources, and historically unprecedented and rapid increases in public expenditure on health can reward existing factor inputs rather than promote the development of additional ones; or the political importance of expectations: reform labelling is a politically loaded game, and whilst continued political attention is essential to effective implementation it can sometimes tempt policy-makers to abandon precipitously the implementation of extant reforms and instead seek out fresh reform initiatives.

The focus here though is on decentralisation lessons. Britain's postwar settlement was centralist, Aneurin Bevan - the Labour Minister who brought the NHS into being - famously announced that the sound of a dropped bedpan in Tredegar would reverberate around the Palace of Westminster. The history of the NHS is in many ways the impossibility of implementing Bevan's vision; if the health minister was responsible for the dropped bedpan, in reality

it was the responsibility of no one at all. The government – and in particular the Treasury – held an authority it could not exercise but would not devolve. The result was destructive tension between those who controlled services and those who delivered them. The motif and spirit of UK health reforms of the last twenty years in the UK has been decentralisation in order to resolve this dilemma. And the implementation lesson is simply stated: *governments wishing to decentralise health care systems have a big commitment problem.*

From the wide and roomy literatures on governance and public policy-making the following definition of decentralisation can be offered: the transfer of formal responsibility and power to make decisions which affect the production, distribution and/or financing of collective goods from a smaller to a larger number of geographically or organizationally separate actors.

An academic concept of 'decision space' has been developed as a metric of decentralisation; formally defined by laws and regulations (and national court decisions), the specific 'rules of the game', for decentralised agents. The actual (or 'informal') decision space may also be defined by lack of enforcement of these institutions that allows lower level officials to 'bend the rules' and exercise discretion or alternatively an over-enforcement in which the spirit of devolution is quashed by a centralising interpretation of the rules.

To determine if decentralisation has occurred, it is necessary to demonstrate that one party has effectively, through the process of decentralisation, lost some discretionary control, and another party has gained it. The majority of academic UK health policy commentary argues that the last thirteen years has witnessed at least as many centralising as decentralising tendencies, with the upward movement justified by the need to correct either organisational failures or health inequalities. Successive governments have failed to commit to not recentralising in the implementation phase. Although many of the organisational reforms through which these policies were implemented (such as Health Action Zones) allowed considerable local discretion, this was only achieved by the centre laying down the result it expected, and requiring local co-operation with these targets, with local choice as to how they were to be obtained.

The centre became more involved in implementing the putative 'new localism' of the NHS reforms as a consequence of the perceived failure of the local both in order to reduce health variations, as well as to correct local management failures where they were occurring. This is a political rather than clearly bureaucratic implementation problem: the temptation for the centre to recentralise is almost irresistible; it is the dominant funder and is politically salient in the blame game. New Labour were perceived to be an active government, straining between their apparent wish for greater responsiveness and democracy on one hand, and a need to be more involved with greater central control on the other.

The greater funding for healthcare produced political demands for results which affected implementation. The centre developed a new, NHS-wide service delivery model for the NHS, including putting in place arrangements for the inspection and performance measurement of health organisations which have been strongly centralising. This was a type of earned autonomy and discussion that is prevalent in Australia in April's COAG health agreement. In the UK, high performing organisations gained 'autonomy', greater control over their own affairs, whereas lower performing organisations received greater intervention instead. However, the perception that greater responsiveness and local autonomy from health services might result in an increase in national health inequalities - against the wishes of the Labour government - was prominent in the politics of the implementation phase.

A brief reading of the history of UK health care reform readily fuels a degree of cynicism about the possibility of organising health services to achieve greater local responsiveness and autonomy. The NHS is an extraordinarily political institution, and budgetary decisions are often incremental in nature, concerned with very small amounts at the margins of the overall budget and primary care organisations. Further, even when they find the budget, hospitals are subject to intensive central inspection and measurement. Performance measurement systems have been introduced with clear penalties and rewards for organisations that demonstrate success in reaching the standards and behaviours required by the centre.

It is also important to note that a decentralisation of health policy power would not simply mean a movement from an executive body to one that we can demonstrate is lower down an organisational hierarchy. There is another group of claimants for being at the centre of power in the NHS. Doctors have in some instances seen the decentralisation of power policy agenda as an attack on their clinical vested interests in the system, in particular a shift to other groupings in the NHS – to nurses, or managers, or even to patients. Clinical governance has been an important centralising force in the NHS.

The Labour government continued to claim the decentralisation mantle until its demise in May, particularly in the context of funding and through the mantra of patient choice. In the latest reform iteration, Primary Care Trusts (roughly the organisation equivalent of Medicare Locals in the Australian context) 'control' 75 per cent of the NHS's budget. However, equally, strong centralising tendencies were present in the extensive use of performance targets and inspection regimes, leading to the loss of decision space

as national targets were imposed on hospitals and national service frameworks put a definite limit on the possibilities for innovation in the local provision of healthcare.

The irony of decentralising a health care system is that decentralisation first demands centralised authority to implement. But the centre is loath to give power away; its role as the dominant source of funding brings the corollary of political blame for service variation or inequalities in health outcomes. These are the hard to resist political pressures in the implementation phase of health care reform, serving to widen the gap between design and execution on the ground.

References

Patashnik, E. (2008), *Reforms at Risk*, Princeton University Press.

Implementation Challenges

Performance management through KPIs

Ann Nevile

Key Performance Indicators (KPIs) are a fact of life for most third sector service delivery organisations which accept government funding. For governments, being able to articulate indicators of performance is highly symbolic – performance management systems are a signal of rational governance; a signal that governments are monitoring the expenditure of taxpayer dollars and hence ensuring that public resources are not being wasted. In other words, for governments, performance management is primarily about managing political risk and hence the purpose of performance management is evaluation (how well is the organisation performing?) and control.

On the other side of the fence, the majority of service delivery agencies whose performance is being monitored through KPIs, acknowledge the need for accountability, but are more primarily concerned about outcomes for clients. For service delivery agencies, the purpose of performance management is learning and improving (what is working, what is not working and why, as well as what can be done to improve performance?). Of course evaluation is all about learning and improving (what happened and why?) and governments are also concerned about outcomes for clients. But for governments, the symbolic value of performance management is more important and a public management culture imbued with rational choice and principal/agent theories skews performance management systems towards control rather than learning and improving.

Thus KPIs tend to focus on inputs (control) and/or outcomes (evaluation). In the employment services context evaluation KPIs predominate (for example, proportion of job seekers placed in jobs three months after participating in job search training), with control achieved by linking funding to achievement of particular outcomes. That is, inputs (financial resources) are dependent on outcomes. In theory this should not be a problem if the outcome indicators are an accurate reflection of the full range of desired outcomes, or even the intermediate steps or sequence of outcomes which will ultimately lead to the desired, final outcome.

However governments tend to focus on easily quantifiable indicators (for reasons of control) and usually do not elaborate sequences of outcomes, some of which may be hard to quantify. So, in the employment services context, payments are linked to clients finding a job or taking up education and training opportunities – outcomes which are easy to assess because the client is no longer in receipt of unemployment benefit. But as those who work in this area know well, 'hard' outcomes, like getting a job, are usually dependent on achieving 'soft' outcomes, such as improved self-confidence or self-esteem, particularly for disadvantaged job seekers. Yet governments rarely reward achievement of these interim milestones. Soft outcomes are more difficult to quantify and are seen as more subjective than "hard" outcomes. Thus perverse incentives are created – creaming and parking – where organisations have a financial incentive to focus their efforts, not on those who need the most help, but on those who need the least. In such circumstances, it is the service delivery organisation's adherence to its own core values, not government imposed performance management systems, that ensures clients are provided with an appropriate level of assistance.

Another common problem with KPIs occurs when they reduce the capacity of the service delivery organisation to respond to individual need. Governments choose to work with non-government agencies because, in the words of Gordon Brown, such organisations are "value driven…[and] from these values [flows] a responsiveness to service users and awareness of their needs, along with a capacity for innovation" (HM Treasury 2006:3). However governments then impose KPIs that make it difficult (if not impossible) for these agencies to provide a flexible, individualised service. For example, in the UK supported housing clients who previously had accommodation for life are now required to move on after six months. While not disagreeing with the principle of moving clients from dependence to independence, agencies involved in offering supported housing are aware that individual capacity and need varies and the current "one size fits all" approach may not produce optimal outcomes for all clients, as Janet Spencer from Leeds Housing Concern explained.

A few weeks ago we had a woman who had initially come to use fleeing domestic violence and she also had mental health difficulties. At the point of six months this woman had got her tenancy and she was ready to leave and she went into a really bad mental health episode. Good practice said we just couldn't move her (Nevile 2010:5).

Leeds Housing Concern continued to provide accommodation and support for a further three months by which time the woman had recovered and was ready to

Implementation Challenges

move on – an outcome Leeds Housing Concern regards as a success – but one which had to be recorded as a failure in the reporting system established by the government funding agency with financial implications if the agency continues to record these sort of 'failures'. Other organisations I spoke to in Leeds maintained their ability to offer flexible, individualised service by funding 3 or 4 beds themselves so that clients could be notionally moved from a government funded bed to one funded by the organisation, but this option is not available to small organisations which do not have a diversified funding base.

As well as flexible forms of service delivery, governments also want innovative responses to client need, but again funding models where financial resources are linked to specific outcomes makes innovation impossible, even for large organisations. For example, in 1971, St Anne's Community Services began operating a day centre for homeless people in a spare room at St Anne's Cathedral in Leeds. 36 years later the organisation had grown to be a major provider of supported housing and other social care services in Yorkshire and the North East of England. The organisation employed 1,300 staff and had an annual turnover approaching 32 million pounds. While St Anne's had managed to build up reserves, this money was used to respond to changing preferences and needs of service users, for example, remodeling group homes into self-contained flats, and innovation was seen as too risky with money getting tighter year by year (Nevile 2010:8).

The tendency of all types of organisations to "reward A while hoping for B" is not a startlingly new revelation. Over 30 years ago Steven Kerr noted this tendency and identified a number of reasons why this type of organisational behaviour persists.

The first, already touched on, is the tendency to establish simple, quantifiable standards against which performance can be measured and rewarded – a tendency that works well in highly predictable activities, but one that is likely to cause goal displacement when applied to less predictable activities. The second, which is related to the first, is the tendency to focus on the highly visible parts of the task and ignore the less visible – soft skills, for example, are often less visible as well as less quantifiable (Kerr 1995:12).

When these tendencies are combined with the inappropriate application of principal/agent theory to situations which require local knowledge and co-ordination of service provision across a wide range of formal jurisdictions, it is hardly surprising that perverse incentives are created and outcomes for some clients are less than optimal. What then should governments do in attempting to fulfill accountability goals and manage political risk whilst at the same time providing flexible, innovative responses to individual need?

Charles Sabel (2004) argues that the tension between accountability goals and optimal outcomes for all clients disappears if the direction and substance of the exchange between purchasers and providers is reversed. Under a hierarchical, principal/agent model, accountability means reporting on and compliance with benchmarks, rules or standards imposed on the agent by the principal. In what Sabel calls an experimentalist or pragmatic approach, provisional, initial goals are chosen and then revised in the light of more detailed, partial proposals which arise from efforts to implement the initial goals. Because the rules or benchmarks in this model are being continuously evaluated and changed if necessary, accountability equates to reason giving , rather than compliance. That is, service delivery organisations are called upon to explain their use of the autonomy they have been given in pursuing corrigible goals. If local government authorities in Leeds had been operating under this sort of system the response of Leeds Housing Concern to the client who need a little more time before she could establish an independent tenancy would not have been labeled a 'failure'.

Under Sabel's approach, monitoring is continuous and less concerned with outcome measures than with diagnostic information. That is, information that tells the service delivery agency and the funding agency what needs to be changed. Continuous improvement is the goal, and the response of the funding agency to information that suggests change is necessary is increased assistance to enhance the capacity of the service delivery organisation. Punishment (withdrawal of funding) only occurs after a service delivery organisation repeatedly fails to use the additional assistance provided by the funding agency to make the necessary changes (Sabel 2004).

Sabel's focus on diagnostic information is consistent with Robert Behn's (2003:593) conclusion that outcomes are not necessarily the best measure of performance for all purposes. When the goal of performance measurement is learning and improving, Behn (2003:593) recommends the use of disaggregated data that can reveal deviancies from the unexpected (learning) and information about what is going on inside the organisation that explains how changes in inputs, environment and operations leads to changes in outputs and outcomes (improving).

This discussion of performance management systems began with the observation that, for governments, performance management has an important symbolic function and is a means of managing political risk. In Australia, as in all Westminster systems of government, it is the minister who is expected to take responsibility for implementation failures, or perceived failures, and it is the job of government departments to implement programs in ways that allow the minister to mount a plausible

public defense of government administration (Mulgan 2010:17&12). Politicians and bureaucrats are therefore more likely to change the way they think about performance monitoring if they believe that change will make it easier to defend government administration.

At first glance, an approach focused on learning and improving rather than control seems unlikely to appeal. However in a recent article in Public Administration Today, Lynelle Briggs, former Public Service Commissioner and now CEO of Medicare Australia, argues that "achieving real reform in service delivery means thinking about issues and solutions in new ways" (Briggs 2010:22). For Lynelle Briggs, the core principles underlying service delivery reform will only be achieved if government departments put the service user first (Briggs 2010:24).

While Briggs believes that success will be measured through the usual performance output measures, she does acknowledge that judgments about what constitutes success will be based on different sources of information.

The views and feedback of the community on the effectiveness and efficacy of service offers will be the real judgment to heed on our efforts (Briggs 2010:25).

Seeking feedback from service users and, I would argue, service providers, is the start of Sabel's experimentalist or pragmatic approach. Moving from seeking feedback to a system where performance measures or benchmarks are adjusted on the basis of such feedback is a larger step, but one which politicians and bureaucrats may come to embrace once they realise that a steady stream of diagnostic information is, in effect, an early warning system that allows for publicly defensible corrective action to be taken before stories of administration failure make the front page of national newspapers.

References

Behn, Robert (2003), 'Why Measure Performance? Different Purposes Require Different Measures', *Public Administration Review*, 63(5), pp. 586-606.

Briggs, Lynelle (2010), '21st Century Service Delivery Reform – It's A Different Perspective', *Public Administration Today,* 22, pp. 21-25.

HM Treasury (2006), *Improving Financial Relationships with the Third Sector: Guidance to Funders and Purchasers,* HM Treasury, London.

Kerr, Steven (1995), 'AN ACADEMY CLASSIC On the folly of rewarding A while hoping for B', *Academy of Management Executive*, 9(1), pp. 7-14.

Mulgan, Richard (2010), 'The Moran Report: Where have all the ministers gone?', *Crawford School of Economics and Government Policy and Governance Discussion Paper 10-06*, available : http://www.crawford.anu.edu.au/degrees/pogo/discussion_papers/PDP10-06.pdf

Nevile, Ann (2010), 'Drifting or holding firm? Public Funding and the values of third sector organisations', *Policy & Politics*, fast track available on-line from 25 May: http://www.ingentaconnect.com/content/tpp/pap/pre-prints

Sabel, Charles F. (2004), 'Principal-Agent Governance: Experimentalist Organisations, Learning and Accountability', Discussion paper prepared for the WWR Meeting, Amsterdam, 10-14 May.

CRAWFORD SCHOOL OF ECONOMICS AND GOVERNMENT
Crawford Building No 132
Lennox Crossing
The Australian National University
Canberra ACT 0200 Australia
+61 2 6125 0567

www.crawford.anu.edu.au