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MR FLESHER

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10/10/85

--- I attach a copy of the speech Miss Mueller will be giving to the Northern Ireland RIPA Conference in Belfast on Friday 11 October. This will be a public event and we hope Miss Mueller's speech will attract some publicity for the programme of personnel management initiatives currently in train in the civil service. A copy of the Press Notice we will be issuing to accompany Miss Mueller's speech is also attached.

CONQUEROR

Peter Martin

P MARTIN
PS/2nd Permanent Secretary

9 October 1985

SEMINAR - "THE SEARCH FOR EXCELLENCE IN THE PUBLIC SECTOR"

"BETTER RESULTS THROUGH PEOPLE IN THE CIVIL SERVICE"

Introduction

1. I am not surprised that the book "In Search of Excellence" by the McKinsey consultants, Peters and Waterman, has sold five million copies across the world since its publication just three years ago. It is evident that the economic pressures affecting both the public and the private sectors are leading organisations around the world to seek and develop new ways of getting the best out of their people. As budgets have been more and more constrained whilst our customers become more demanding, we are all under increasing pressure to secure better results from the resources which are available to us.

2. I believe that Peters and Waterman captured a new mood when they listed a number of key features which they found to characterise excellent companies in the private sector. Some of these features are equally relevant to the public services including the civil service. I hope to focus on a few and perhaps modify them a little. I put at the top of my list the attribute which was fourth in their list: the goal of "productivity through people" which I am reformulating as

"better results through people". This clearly embraces improved services as well as reduced costs. In the civil service we are concerned to provide the best possible service within what can be afforded.

3. I take it as absolutely central that people are a precious asset and the key resource of any organisation. This is not lip service. Managers in the civil service as elsewhere must value and respect their staff, and demonstrate that respect by ensuring each person has a purposeful job with challenging objectives and the responsibility and wherewithal for achieving them. I should like today to describe some of the steps we are taking to develop and make best use of our human talent in the civil service, concentrating in particular on the development of managers for the future, and the motivation of staff here and now. I should perhaps say at the outset that coming as I do from the Cabinet Office I shall be talking about developments in the UK civil service. But I know that there are some corresponding developments in the Northern Ireland civil service with differences to suit your own circumstances and perhaps we could talk about these afterwards.

Traditional Excellence

4. First some reflections on excellence in relation to the civil service. We are fortunate in having a firm base of traditional strengths in our staff on which we can build. Ever since the Northcote Trevelyan reforms of the nineteenth century which first introduced the principle of selection by merit, the civil services of the UK have been admired, for their freedom from corruption and bias, their loyalty to the Crown and the elected government and their dedication to public service. These qualities have earned us an international reputation for excellence. And we are determined to preserve them in the future. But today we are seeking to build new values onto the foundation provided by these traditional strengths.

Future Excellence

5. Today the civil service is going through the most profound changes it has seen for over a century. The new civil service is still constructed on the merit principle but aims at a new professionalism which will secure better value for money for the taxpayer and the citizen. To this end it is focussing on performance and outputs, and individual responsibility for securing desired results.

New Themes in Management

6. We have seen big changes since 1979, with a reduction in the size of the civil service of nearly one-fifth. This has been achieved partly by shedding functions and partly by raising productivity by 2 per cent a year on average. We have introduced a major programme of management reforms designed to secure better value for money throughout the civil service. The civil service is of course part of the service sector although a few goods are produced (eg publications). It is very large, varied and heterogeneous, employing some 600,000 people in 2,500 grades and organised in some 50 separate departments ranging from the very large to the very small. But broadly its activities are of three basic kinds:

(i) providing internal advice to Ministers particularly about policy. This is necessarily confidential and involves relatively small numbers of people;

(ii) providing services in accordance with statutory and Ministerial requirements, most of them to external customers. I include in this category the collection of taxes as well as such activities as issuing licenses and paying out grants. The management of these operations has

much in common with that of private sector services, and indeed we sometimes refer to them as "businesses". It is in these activities that most civil servants are employed;

(iii) in between these is a third category in which the services are funded by central government but provided by local government or other agencies, in accordance with statutory and Ministerial requirements administered by the civil service. The numbers of civil servants involved in such programmes is not large but the expenditure can be very substantial as in the National Health Service, and the education services.

Our aim of securing better value for money embraces all these types of activities and there is of course a crucial link between the first and the other two, since to be soundly based policy advice must be anchored in the realities of external operations and an understanding of the customer's needs.

7. The government's Financial Management Initiative has tried to create lasting systems for making managers aware of how much they have to spend, making them more accountable for getting results and providing the support they need. It has aimed to delegate authority more effectively down the line to local managers, at the same time as improving the information available about their performance for senior managers. Another major contribution to more effective management has been the efficiency programme. This has involved small teams taking a "short hard look" at particular functions and either improving the way they are done or abolishing them if they prove to be unnecessary. The efficiency programme has covered all government departments and many of their associated public bodies and has resulted in substantial streamlining.

8. The new climate of cost consciousness and efficiency reforms has called for civil servants with additional qualities

and skills to deliver these changes. We now need more managers of budgets and more team leaders, more risk-takers and innovators, able to make effective use of a whole range of skills. We are looking perhaps for more robust and more pragmatic managers of resources undertaking a more positive role in the service of the government of the day and the public. And we have to ensure that our senior managers themselves make the adjustment, so that they recognise and reward these new qualities, rather than shunning them as departures from the traditional image. If we are to encourage risk-taking in the interest of securing better results, we must be more prepared to tolerate occasional mistakes.

9. These are some general desirable qualities. But we also need specific skills and talents suitable for the huge diversity of operations I have already described. Despite declining total numbers we still need to attract between 30 and 40 thousand new staff a year, and develop and motivate them for the many different public services, from issuing Premium Bonds to maintaining submarines, or from dealing with members of the public to briefing Ministers. In Northern Ireland you will all be aware of the particular priorities facing public services. On the one hand, high unemployment, both frictional and structural, has generated social needs and problems requiring a benefits system and social services which can operate efficiently and compassionately. At the same time it is a vital task for the public services to promote economic revival by encouraging business innovation and enterprise, which means being alive to the changing industrial market, and identifying and developing entrepreneurs. Two very different kinds of public services. Your approach to staffing them, and particularly training and developing staff, must be versatile enough to answer that whole range of needs, to produce people who can operate with dedication and competence within the manpower and budgetary constraints which most public authorities face.

Themes in Personnel Management

10. We need to keep our personnel policies in step with these management reforms if the concept of the all-round manager of money, people and physical resources is to become a reality. Let me just mention a few of our current reforms in the personnel field before I focus on management development and staff motivation.

11. First, we are decentralising responsibility for personnel management from the centre to line departments, giving departments more freedom in the way they manage their staff. To take one example, our new staff appraisal systems lay down a framework of general principles, but allow individual departments freedom to pursue the detail of their forms and procedures as best suits their particular needs. I shall return to appraisal later.

12. Secondly, line managers are being delegated more responsibility within each department. This is giving them more say in how staff are handled on matters of junior and casual recruitment, disciplinary and inefficiency procedures, and the career management of their junior staff. We aim to give managers more flexibility to deal with staffing matters on their own say-so, without excessive intervention from the centre which stifles their initiative and depresses the results they are capable of.

13. Thirdly, we are continuing to dismantle the artificial boundaries between different occupational classes and groups which can impede the optimum deployment of staff at senior levels. This was one of the key reforms recommended by the Fulton Committee. The Senior Open Structure which unified the top three grades in all classes of the civil service was created in the early 1970s. From the beginning of last year this was extended to the next three levels in the service down to Senior

Principal and equivalent grades. I hope that from the beginning of next year we shall have a new unified Grade 7, covering over 20,000 staff at Principal level and its equivalent in the science, technology and other specialist groups.

14. Our equal opportunities action programme is another means of securing greater flexibility in the use of human resources to the benefit both of the service and its staff. It makes management sense to allow, for example, more flexible working hours and more opportunities for part-time work and job sharing for both women and men. Experience shows such work can be highly productive and that a more imaginative approach to work patterns and career development can prevent some of our talented staff from leaving altogether at a considerable waste of investment. In my own department we have recently introduced a pilot "keeping in touch" scheme for those who leave to cope with domestic problems designed to facilitate their eventual reinstatement.

15. On other personnel fronts we are trying to match pay more closely to performance, a very direct way of encouraging better results. Earlier this year we introduced a three year performance bonus experiment for senior grades across the service, and we shall be monitoring this very carefully. One or two departments have also been experimenting with group incentive schemes. On the less positive side of performance, we are tightening up our treatment of inefficiency, so that we act promptly and robustly when an individual is not working up to standard.

16. Let me now describe in more detail our strategies for management development and staff motivation. They are of course interdependent. It will be no use having well-groomed senior managers without the right staffing resources and talent at their disposal. And it doesn't matter how much talent and enthusiasm there is in the rank and file if that resource isn't channelled and developed by clear-sighted management.

Tomorrow's Managers

17. All civil servants who lead people, direct their work and spend public money may be called managers of one sort or another - from the 120,000 staff at Executive Officer level to the small group of Permanent Secretaries at the top. It has become increasingly clear in recent years that the civil service could do more to make those managers better prepared for their important responsibilities. We felt it was necessary to develop a more strategic and positive approach to management development and our new series of programmes affects the whole span of management grades.

Top Managers

18. For our top managers, we have designed and mounted a new training course from this year for those who are to be promoted to the level of Under Secretary. The intention is to run four such courses each year. I would highlight two particular aspects of this programme. First, it is six weeks of highly intensive training away from the normal office environment. If a week is a long time in politics, how much longer a period is six weeks for which to take top managers away from their pressing duties. By getting people away from their desks and their short-term crises the Top Management Programme gives them space to breathe and think through the priorities for civil service managers in the context of society's present and future needs. Secondly, the course brings together top managers from all sectors of the economy, not just civil servants. For four of the six weeks senior executives from private sector companies and public corporations are trained alongside civil servants. Problem-solving sessions, seminars and lectures enable them to study the role of top managers and the major environmental changes affecting that role, with as much cross-fertilisation of ideas as possible. This course should provide a powerful lead into the most demanding management positions as well as increasing the

mutual understanding of public and private sectors. In the civil service it will reinforce our strategic succession planning designed to improve the supply of people capable of filling the top jobs in the future.

Senior Managers

19. Whilst six weeks may be a very long time for departments to be without some of their key Under Secretaries, it is certainly not enough in itself to bring about a new age of top management enlightenment. So we are also concentrating on developing managers before they reach this level and on improving the effectiveness of senior managers. To this end we have recently launched the Senior Management Development Programme targetted at the grades from Principal to Assistant Secretary (a total population of 22,000) but with an immediate priority emphasis on the younger people in those grades who may have more scope for development. For example, some departments are limiting the Principal level participants to those under the age of 35. This programme lasts over several years and should give the individual a coherent personal development plan in terms of training, postings and experience. A key point is that each participant must drive it himself or herself, and accept responsibility for his or her personal development. They will of course be supported by central training expertise and personal guidance but the onus is on the individual. The programme picks out several core competencies which are vital for any senior manager such as managing resources and staff, using information technology and developing expertise of various kinds. It enables the individual to identify necessary training and development in these core competencies. There are also other important competencies which the individual needs to target in relation to his or her particular career and functional area - for example, presentational skills, accounting or industrial relations. Each participant in the programme must aim for a minimum of five days' training a year, and review his or her progress regularly with the help of management.

Middle Managers

20. An even larger community of staff where there is talent needing development is from the Executive Officer level upwards, and especially those with the potential to reach Principal - the level at which, for example, large local offices of some departments are managed. For a number of reasons, such as the changing structure of the civil service with smaller top management and greater delegation to middle management, the service has found itself short of quality staff to fill Principal vacancies. Yet there is no shortage of latent talent. Just to take one indicator, half our Executive Officer intake today are graduates. So we have asked all departments to draw up plans for picking out this talent and developing it. This will mean, as with the senior managers, a long-term guided programme for participants, covering postings to different areas of work, carefully integrated training, short-term attachments, secondments and special projects, and development within each post as part of the normal appraisal and career development process. This programme of development needs careful guidance by departments who will each be appointing an individual responsible for the whole programme, with an annual Management Development Review. Each department must introduce its Management Development Programme by the middle of next year.

Where does this leave the fast stream?

21. From what I have been saying it may not be clear where the traditional fast stream of the UK civil service fits in this spectrum. That is almost deliberate. We will continue to need to recruit a small number of highly gifted individuals, some of whom should occupy the top service jobs in future. And these talents will also need careful training and development throughout each career. But the intention is that we will be able to select our top and senior managers from a broader range of talent available. And we want to develop more of our current

main stream staff as much as possible, which will mean a greater number of them than in the past entering the fast stream. The boundaries between the two streams need to be flexible to ensure that we select managers on achievements and merit, and avoid the trap of allowing a series of self-fulfilling prophecies to dictate our future top management appointments.

Training and Qualifications

22. Underpinning this focus on management development in the three programmes I have described is a recognition that civil servants need more specialised preparation for their work. At managerial and generalist levels we have sometimes lacked sufficient knowledge of the economic factors, the social environment, political constraints and the technological changes, which are important in the consideration of policies. We have in the past tended to place too much weight on general administrative skills. Important as these are, they need to be applied with a sufficiently developed depth of knowledge about particular areas of policy and the problems of implementation. So we are encouraging civil servants to gain professional qualifications and training in disciplines which will bring them closer to their customers and give them greater facility in dealing with each particular environment. In my small department, which is responsible for advising others on personnel policies and for pushing forward personnel initiatives, a dozen of my staff are this year studying with the Institute of Personnel Management for their full professional qualification. Across our service as a whole 80 personnel managers are each year taking the IPM's Foundation Certificate in Personnel Practice. In a civil service which increasingly needs better understanding of how to manage budgets and improve financial control and performance, we are doubling the number of accountants to 1,300 by 1992. These are just two specific examples of our determination to develop still greater expertise in the civil service.

Appraisal

23. So far I have described the way we are preparing our future senior staff. I have mentioned our efforts to fish more effectively and from a bigger pool of available talent. In a moment I should like to discuss what has been done and could be done at grass roots level, where staff actually assess the tax codes and issue the driving licenses. But first a word about the activity which joins the two communities of the managers and the managed, that is the process of staff appraisal. Every civil servant is appraised, and every civil service manager has to manage appraisal. We have recently changed our arrangements as I mentioned earlier and I hope that this will make appraisal a fundamental part of every day management, not - as it is sometimes depicted - an annual ritual of only marginal importance and value.

24. Although the civil service has had an established and detailed appraisal system for many years, we recently decided that it was not achieving all it might. It was seen as more about promotion than performance in the job - and it did not give as good value for money as it should have done. So we have now introduced changes. There will no longer be standard service-wide report forms and procedures. Departments will have more discretion to meet their particular needs and circumstances. But all the systems will have certain common features:

- all reports must incorporate new service-wide rating scales for both performance and promotability; these are designed to make clear what is acceptable and unacceptable performance, and improve reporting standards;
- each report must be based on an agreed forward job plan with specific objectives to be achieved;
- each performance report must be open;
- there should be an annual appraisal interview.

25. If we are to achieve better results through our staff they must first of all know why their job exists, what work is planned and what specific goals need to be met. Hence the forward job plan. But staff can only be kept on track if there is a continuous dialogue with them to see whether the plan is working out. Hence the open performance report, the appraisal interview and (we hope) regular contact through the year between managers and staff. And those results must be assessed against a visible and challenging set of criteria for judging performance. Hence our new rating scales. These are evolutionary not revolutionary changes: we are building on the best of our previous systems. But the new emphasis on greater involvement of the staff in planning and agreeing the work ahead, and of managers in keeping a continuous line of discussion open, will provide a much better basis for securing improved results.

Communication

26. Appraisal is one specific focus of communication between managers and staff based on work and individual performance. Communications more generally, both between managers and staff (and vice versa) and between civil servants across functions, grades and offices, is an essential part of the management "infrastructure". Staff need to have readily available channels of communication on all aspects of work, management planning and social activity. This covers everything from prompt circulation of clear notices about national pay negotiations to lively and readable house journals. Communications on all these levels are important, and although we have done a lot in the last couple of years to promote better, clearer and more imaginative written and oral communication, including the effective use of house journals, I am sure there is still a lot to be done to increase staff awareness about what exactly is going on, what policies are being discussed at management levels, how changes will affect them personally, and more generally to encourage a more open and

satisfying climate in which people work. The work will often still be demanding and arduous; but if the contribution it makes to the public service is better understood, the burden will be that much easier and more rewarding to bear.

Involvement and Motivation of Staff

27. So far I have been describing activities which are mostly generated from the top and filter down. But instructions and communications which are handed down a long line run the risk of breeding a merely reactive attitude in staff at the end of each line. We need communications policies that not only explain to all our staff from top to bottom what management is trying to do and achieve, but also provide for managers to listen to what their staff say in return and take account of those views in all management decisions. And there are many of these staff, often working under considerable pressure, in accommodation that is frankly awful, sometimes facing massive organisational change as we move forward to exploit the potential of new technology, and sometimes in danger of becoming severely demoralised. What we need in addition to the top-down approach is a number of ways of tapping ideas and enthusiasm and creativity at grassroots level. The civil service has promoted a number of approaches to employee involvement. I shall just quote a few.

28. In the DHSS for example a whole range of improvements to the service provided by local offices was generated largely by making "customer service" a priority area for the regional organisation and actively seeking the ideas of individual civil servants working in those offices. These were eventually collected and published as a booklet entitled "Service to the Public", with an accompanying video programme. It describes improvements such as the creation in several local offices of an initial reception point, where callers are given information and guidance on where to go next - a filter mechanism which helps

members of the public and makes best use of everyone's time. In several local offices special arrangements have been made for callers with special needs, such as the bereaved or disabled. In other offices the staff have started to wear name badges, as a simple way of helping members of the public for future identification and to create a more personal atmosphere. The long list of suggestions which have been successfully implemented demonstrates the real improvements that can be achieved simply by tapping the fertility of ideas of any group of staff. That this has been done at a time of increased pressure and resource constraint is, I believe, a considerable achievement.

Job Satisfaction Projects

29. Experience shows that improvements are likely to be more lasting if each individual member of staff is made to feel a stakeholder in the reforms. In our job satisfaction projects we have sent out a consultant from our central Job Satisfaction Team to work alongside a particular department and help its staff devise alternative working methods. These aim to get the job done more effectively whilst at the same time satisfying staff needs for involvement and interest. There have been a number of successful projects of this kind, for example at the Driver Vehicle and Licensing Centre at Swansea, and in the Southport branch of the Office of Population Censuses and Surveys. One common outcome of such projects is that clerical flow lines are reorganised into whole job teams in which each member has a turn at each part of the work. The new job design creates more variety and sense of ownership and autonomy, and this in turn has often fed upwards, educating the managers into a more participative management style. This approach is working well in a number of different departments and the Job Satisfaction Team tell me that their order book is full.

What results?

30. So there has been a lot going on both at the level of the manager and the managed in the UK civil service. I shall be interested to hear what parallels there are with the management of public bodies including the civil service in Northern Ireland. Our investment is certainly a large one. We spent nearly £200 million a year on training in the civil service even before we started the management development programmes. But, as a training manager in Ford's Motor Company once said, "If you think training is expensive, try ignorance". So what are the excellent results I am talking about from our civil servants? Let me just give some examples of results achieved.

31. In the first place civil servants have already produced some remarkable achievements in efficiency which will recover the cost of the investment in training and development many times over. They have managed a reduction in size which has generated pay bill savings of £700 million a year. Alongside this overall contraction has run an efficiency programme identifying savings of £450 million a year. Streamlining of civil service operations has led to many associated improvements which will make both the civil service and the communities it serves more efficient, such as the abolition of 15,000 administrative forms at a saving of £9 million a year. DHSS have cut the waiting time for processing mobility and attendance allowance claims by 25 per cent. In my own department the numbers of students attending the Civil Service College has increased by 140 per cent over the past four years, and the number of student days has risen by 30 per cent although staff numbers have been declining. These are visible results of benefit to the taxpayer and the customer.

32. In terms of improving effectiveness, there are particularly "visible" initiatives, like the Inland Revenue's mobile advice centre - an attempt to bring the acceptable face of taxation out onto shopping precincts and into plain English directly spoken to

people in the street. In the important area of promoting the success of British exports, an independent consultants' survey estimated that £1 billion worth of UK firms' annual export and sales followed directly from the services of the British Overseas Trade Board to subscribers to its export intelligence unit. On the level of a preventive service, we witnessed a record haul last year by officials from Customs and Excise of 300 kilos of heroin. In dealing with the problem of unemployment, the Manpower Services Commission, as part of a strategy to improve the effectiveness of the labour market, administered programmes helping two and a half million people to find work, training or temporary employment, on which it spent £2 billion, last year. This effort ranges from placing 1.8 million people in work via job centres, to providing staff support to 46,000 would-be businesses. These are the kind of positive results which civil servants have been delivering. And there is no doubt that demand for even better achievements in key areas, such as promoting employment and fighting drug abuse, will only increase.

33. Before throwing the talk open to questions let me return to Peters and Waterman and complete my shortlist of their key attributes as I see them affecting the civil service: the personal qualities and organisational imperatives which will really influence the results we produce. There is no doubt that public administration and public management differ in many respects from private sector management; but management is also to some extent generic across the divide: there are similarities across the public and private sectors from which we can all learn as well as essential differences which we must never forget.

34. First excellent companies are said by Peters and Waterman to have the capability to manage ambiguity and paradox. They possess "simultaneous loose-tight properties" -that is, they have pushed autonomy down to the shop floor as much as possible but at the same time they insist on the universal upholding of a few core values. In the civil service we have taken some

decisive steps towards a more devolved structure to give managers much greater discretion, so that their own creativity and drive can come to the fore. We aim at delegating authority and matching it with accountability for results within the framework set by Ministers and for which they are of course answerable to Parliament and the public. All this whilst maintaining core values of loyalty, dedication and freedom from bias and corruption.

35. Secondly the civil service, like excellent American companies, is developing a bias for action. This has been at the heart of our efficiency programme. Our staff must get things done and not be held back by over-lengthy analysis and consultation processes which drag on too long. The popular myth about Whitehall is that things either take too long or never happen at all. The new emphasis on objective-setting, for example, in financial management, appraisal systems, and in some experimental incentive schemes should signal what is planned and what concrete results are being achieved. We need to train and develop "doers" at all levels, though of course they need to be able to think too!

36. Thirdly, we are getting ever closer to our customers whoever they may be. I have spoken about initiatives for better service in several departments. It is crucially important to understand the customers' needs through better information, and to promote better customer services by involving and motivating all staff. In the short term, we cannot duck the fact that despite the efforts of hard pressed staff, civil service manpower and financial constraints, which have been a necessary part of wider government policy, have made it hard or impossible for staff to maintain, let alone improve, the level of service in some areas. There are backlogs of mail in the Inland Revenue. It can be difficult to get through to DHSS offices on the telephone. There are queues for benefits and delays in payments

in various areas. No one is complacent about this and in the longer term we must make it a priority, which politicians, managers and staff all share, to deliver improved performance to our most important client: the public. We may not be able to afford the Rolls Royce service that some of our customers would ideally like. But nor can we afford to offer the Penny Farthing or Austin 7 in the age of the Metro.

37. In this process we will be making more use of professional training and qualifications. We will also be a more specialised service with people spending longer in jobs and acquiring deeper knowledge in their specialism. As Peters and Waterman would say we will be sticking more to our knitting - that is retaining in the service only those functions which can most effectively be done there and increasing the level of expertise held by the staff in those functions. Though we will still need people who don't just knit!

38. Finally, I would repeat that our route to these excellent services must be through our staff. I am very conscious that day-to-day pressures on public services have in recent years made it increasingly hard for us simply to turn the work around each day. The load in very many arenas of government activity has increased as numbers have fallen. The difficulty of creating space to give our staff the close attention which all these personnel approaches demand is enormous. But I do believe senior managers in all public authorities must make that space and not allow short-term pressures to crowd out necessary preparation. If our public services are to cope with these multiplying demands we must make a major effort to invest time, money, trust and respect in all the people who work for us. I have no doubt that that is equally true for the Northern Ireland civil service.

8 October 1985