Whose standards are they anyway? The need for competitive spirit in public sector management

Performance management in the public sector is too concerned with process at the expense of outcomes. By focusing inwardly on how performance is achieved, the public sector is failing to address external benchmarks or standards. Drawing on research in leadership and sports, Jon Teckman and Andy Adcroft outline how a competitive edge could be developed within the public sector to enhance the performance management process.
In the final quarter of the 20th century, attempts were made to boost the effectiveness of the public services by introducing new ways of managing and measuring performance. The immediate catalyst for this raft of initiatives, broadly defined as the New Public Management (NPM), was the economic and social upheaval attributable to the sudden inflation of the early seventies. Whereas, in the times of relative plenty, Government departments had been able to plan with reasonable certainty about both the actual level and real value of the resources voted to them by Parliament, as the seventies wore on it became clear that a different approach was required. Even before Margaret Thatcher’s arrival in 10 Downing Street in 1979, a more managerial approach was being adopted, intended to increase efficiency, focus on results, and extend the planning cycle beyond the traditional annualised budgeting round1.

Mrs Thatcher’s Government sought to expose the public sector to a more private sector approach to managing its resources. Those parts that could not actually be sold off were bludgeoned with the twin cudgels of greater pressure on the 3Es – Effectiveness, Efficiency and Economy – and a stronger regulatory regime through the National Audit Office and Audit Commission. But while those aspects of the former public sector that were exposed to the market either sank or swam, there was often little change in behaviours in the rest. Indeed, Radnor and McGuire2 suggested that public sector “managers often ignore the output of PMSs (Performance Management Systems) regardless of the quality of the information they are providing.”

Tony Blair’s New Labour Government was also committed to public sector reform, replacing the 3Es with his 3Ds: Delivery, Delivery, Delivery. Under this Government, public sector organisations would be expected to deliver results and live within their means. Capital investment would be funded through complex public-private partnerships with a view to reducing the running costs associated with the upkeep of, in many cases, a Victorian infrastructure. The focus now was on results – resources would be committed to public services in return for guarantees of performance described in the form of policy outcomes.

There has, on average, been a new paper on performance measurement written every five hours of every working day since 19943. Despite this academic interest and the focus of Governments over the past thirty years, there is little evidence to suggest that they have produced the desired results. Moreover, they are widely distrusted by the people working in the organisations and the people they are supposed to serve (see, for example, Adab et al4; Bosanquet and de Zoete5. Adcroft and Willis6 suggested two reasons for this:

“Technical and managerial issues with standard public sector performance measurement systems which make them unfit for purpose; ... [and] a series of difficulties in importing management practices from one context to another, in this case from the private sector into the public sector.”

This paper suggests that there is a third reason: the failure to import from the private sector an effective competitive orientation to reinforce and enhance the performance improvements. By this we do not mean the privatisation or commercialisation of anything that isn’t nailed down. What this paper endeavours to demonstrate is that the public sector needs to be more open to importing certain aspects of competitiveness from the private sector. It is this competitive underpinning that will allow enhanced service in line with customer expectations and fitness for purpose to be achieved.

Based on a review of relevant management literature, the paper offers a typology of
Performance oriented organisations tend to be internally-referenced and are more concerned about ensuring that appropriate processes are observed than about the results that they achieve. Achievement is measured primarily against targets derived from a review of their own performance in previous periods. They seek to optimise performance through the repetition, practice and rehearsal of these well-established processes, and avoid experimenting and innovating. While the actual performance measurement may be an outcome measure, the focus of activity is the process that achieves the outcome rather than the outcome per se. In contrast, competitive organisations focus on outcomes not processes. They seek to dominate competitors and win ‘contests’ however these might be defined. Covin and Covin describe this as a “general management disposition … to take on and desire to dominate competitors”. Gatignon and Xuereb suggest that whilst performance orientation is simply about improvements to performance, competitive orientation is about improvements to relative performance in order to secure a competitive advantage. In assessing how well they are doing, competitive organisations focus externally on the market place; they measure and reward successful outcomes not processes; and are more innovative as they look to create a competitive advantage.

Crucially, however, it is not just the measurement system that differs with orientation, or the objectives of what they are trying to achieve. A shift in orientation is deeper than that – it is about changing disposition and mindset. A performance oriented mindset will always play safe to protect itself: a competitively oriented mindset will take calculated risks to outshine the competition and be seen to be best. The focus of the orientation also differs. Performance orientation is internally focused, looking at what is happening in the organisation, and worrying about adherence to procedures. A competitive orientation is performance- and competitive-oriented behaviours, arguing that an appropriate blend of the two are required if the public sector is to deliver on the performance agenda being prescribed by government. Without this competitive orientation, performance measurement systems will remain unfit for purpose, and private sector management practices will always remain out of context in the public sector environment.

Characteristics of performance and competitive orientation

So, what are the differences between a performance and competitive orientation? Adcroft and Teckman conducted an extensive review of the management literature in this area. The table below summarises our findings:

<table>
<thead>
<tr>
<th>PERFORMANCE ORIENTATION</th>
<th>COMPETITIVE ORIENTATION</th>
</tr>
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<tbody>
<tr>
<td><strong>Mindset</strong></td>
<td><strong>Mindset</strong></td>
</tr>
<tr>
<td>• Pre-occupied with self</td>
<td>• Emphasis on winning contests</td>
</tr>
<tr>
<td>• Avoidance of challenging, new or risky situations</td>
<td>• Achievement is recognised through competition</td>
</tr>
<tr>
<td>• Avoid situations where elaboration or innovation is needed</td>
<td></td>
</tr>
<tr>
<td><strong>Objectives</strong></td>
<td><strong>Objectives</strong></td>
</tr>
<tr>
<td>• Process not outcome based</td>
<td>• Outcome not process based</td>
</tr>
<tr>
<td>• Focus on optimisation and continuous improvement</td>
<td>• Absolute measures</td>
</tr>
<tr>
<td>• External and relative</td>
<td></td>
</tr>
<tr>
<td><strong>Focus</strong></td>
<td><strong>Focus</strong></td>
</tr>
<tr>
<td>• The exploitation of fixed abilities</td>
<td>• Gaining knowledge of competitors</td>
</tr>
<tr>
<td>• Reluctance to experiment or take risks</td>
<td>• Creation of competitive advantage</td>
</tr>
<tr>
<td><strong>Style</strong></td>
<td><strong>Style</strong></td>
</tr>
<tr>
<td>• Success or failure is determined by ability</td>
<td>• Rapid responses to changes</td>
</tr>
<tr>
<td>• Practising and executing pre-set plans and routines</td>
<td>• Challenging and innovative</td>
</tr>
</tbody>
</table>

Figure 1: Key characteristics of performance and competitive orientation
looking outwards at what is happening in the marketplace, believing the organisation’s procedures are there to help guide them without being restrictive. This leads us to a new model for looking at the interplay between performance and competitive-oriented approaches.

**Performing and competing: A conceptual model**

Lyle suggested that the performance and competitive orientations are part of a continuum along which organisations and individuals will pass. Performance orientation is about the development of potential for excellence while competitive orientation is about translating that potential into action. We believe that these two aspects of overall organisational performance are, in fact, the two axes of a more complex model: effective organisations are not either performance oriented or competitive. They are both, blending the two factors together in different combinations depending on their circumstances. By looking at how organisations combine these two factors, we can identify different organisational approaches and predict likely levels of performance. This is summarised in the model at Figure 2. The four quadrants provide examples of organisations operating in each of these ways.

Our model describes four combinations of performance and competitive orientation:

**Ideal position**

The first position is the ideal position where the organisation demonstrates a high level of both performance and competitiveness. From this position they can dominate their competitors by performing at a high level and innovating to ensure that they remain ahead of the rest of the field. At General Electric under Jack Welch the objective was for all business units to be either first or second in their markets. Strategy was developed primarily by focusing externally on what their competitors were doing. Managers were rewarded for their successes and penalised for failures to deliver tough targets set by analysing both the internal and external environment.

This would indeed be an ‘ideal position’ for public sector organisations to reach as it involves performing at a high level – to achieve targets set by Ministers and outcomes demanded by clients – but also adopting a competitive mindset enabling them to be more innovative, risk-taking etc. At a recent leadership conference, Culture Secretary Andy Burnham talked exactly in these terms, describing how the Government’s initial focus had been on improving performance, but that now they were looking to organisations to be more innovative, with a reduced focus on performance targets.

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**PERFORMANCE / COMPETITIVENESS MATRIX**

- **Ideal position**
  - Dominate contests
  - Long term stability
  - Emphasis on maintaining position

- **Competitors**
  - External focus on the market
  - Focus on winning
  - Focus on competitive advantage

- **Worst position**
  - Defeat as a common event
  - Search for any competitive advantage
  - Emphasis on (re)building

- **Performers**
  - Internal focus
  - Focus on practices and techniques
  - Focus on performance measurement

**Figure 2:**
Performance and competitive orientation matrix
Achieving the ideal blend
In *Mavericks at Work*, Taylor and LaBarre describe how software company TopCoder uses a highly creative method to compete with the larger firms in the industry. When developing new software, they invite programmers around the globe to submit their ideas in direct competition with each other with large cash prizes available to the winners. The “work is organised as a series of online matches ... in which TopCoder members battle deadlines and one another to design and write the most elegant components and impress a jury of their peers.” This competitive element is taken a stage further with live, on stage match-ups between competing programmers. But despite this overt competitiveness, the company is also built on collaboration and boosting individual performance. The competing programmers collaborate to develop new products but do it through the medium of contests. Most also spend a great deal of time in TopCoder’s practice rooms building their skill sets – external competition blended with internal performance.

Competitors
Competitors are organisations that set objectives in terms of beating the opposition and are innovative in establishing new ways of working, but may fail to deliver the required performance, creating a gap between their aims and objectives. Such organisations might be able to pull off occasional victories (think, for example, of giant-killing sports teams beating opponents from higher divisions through sheer determination not to lose despite the performance gap) but will not win in the longer term. At the extreme, such organisations might display signs of hyper-competitiveness where their desire to win exceeds their ability to perform and they resort to breaking the rules of the market: for example Enron – the drug cheats of the corporate world. To move out of this box, the emphasis should be on introducing greater consistency to performance and developing potential. This is the dangerous position an organisation can get into when it becomes so competitive that just because it could do something, it doesn’t stop to question whether it should do it. Given the general orientation and ethos of public servants, it is an unlikely place to find public sector organisations, although there may from time to time be pressures on them from their political leaders to “win at all costs”.

A competitive educational environment
Business schools operate in a highly competitive environment. There is a proliferation of different rankings each of which measures and values different aspects of overall performance. Peters states unequivocally that “rankings affect business”, leading to direct impacts on recruitment of students (both quantitatively and qualitatively) and top faculty: “95% of graduating MBAs said that school rankings had more influence on their decision-making process than any other media source”. While the schools with the lowest rankings tend to dismiss the process and criticise the ranking criteria, well ranked schools regard rankings as entirely valid and focus their energies on improving them. The achievement of a high or improved ranking position, therefore, becomes of the utmost importance for business schools and helps to determine where they devote their attention and resources. They play the “rankings game” and focus on improving their position. The challenge for such schools is to make sure that they can perform at the level required to satisfy the raised expectations of their students.

Performers
Performers are organisations which focus on improving their performance by reference to their own past achievements and internal processes, rather than looking externally to see what is happening in the market. It is here that one might place much of the Civil Service and wider public sector. Lacking any direct competition, they have developed systems of performance measurement which seek incremental year on year improvements on arbitrarily determined targets with little reference to the outside world. The path out of this box is to improve competitiveness by seeking out contests, studying what other organisations are doing, and innovating to make stepped improvements in performance. Many of the reforms that have taken place in the public sector over the last 30 years have focused on introducing performance measures against which organisations can be measured. This has led to improvements in some aspects of performance but not necessarily to improved outcomes. The danger is that what can be most easily measured is what gets done – not what is actually most needed to deliver the required results. For example, many police forces could, undoubtedly, point to significant improvements in their crime statistics but their overall performance will be viewed in terms of the headline grabbing incidents such as the increase in youth violence and murder. (The *Times* of 31 May 2008 reported that several police forces are planning to “revolt” against the performance measurement culture in favour of what they term “commonsense policing”.)

Keeping your eye on the ball
In 2007, New Zealand arrived at the Rugby World Cup finals in France as hot favourites. Beaten just twice in their previous 30 matches, they were the number one ranked team in the world. Having breezed through their qualifying group, however, they lost their quarter
final by two points, despite outperforming France in almost every aspect of the game. Compare this with the England team that won the competition in 2003. England also started as favourites and lived up to that billing by focusing on the contests they would face, rather than just looking at their own performance. In the build up to that World Cup, England toured the Southern Hemisphere where they won tough games against Australia and New Zealand. In contrast, before the 2007 competition, New Zealand’s players were taken out of the highly competitive Super 14 club competition for a prolonged period of squad preparation. They arrived in France superbly drilled and honed to perfection – but couldn’t compete when called upon to do so. In all six Rugby World Cups to date, the team with the best blend of performance and competition has won the tournament – not the team with the best performance.

Worst position
Organisations in the worst position have neither the performance level nor the competitive instincts to win a contest. Typical behaviour here will be to set easily achievable targets without any reference to the external environment – and then fail to achieve them. To escape from this predicament, organisations need either to improve their performance or competitiveness or, ideally, both. A change of leadership in the organisation may well be required to catalyse the improvement. As already mentioned, the New Labour Government initially focused on improving the performance of the large number of organisations they considered to be in this worst position when they took office, in order to lift them off the floor and make them better able to face the challenges of the 21st century.

Moving away from under-performing
The National Health Service – once considered the greatest achievement of the Welfare State – has, for many years, been considered the benchmark of successive Governments failed attempts to improve standards of public delivery. Waiting lists were long, conditions in hospitals were poor and inequalities between different regions and demographics were large and growing. The New Labour Government sought to address this issue through a massive increase in resources into the NHS (which have almost doubled in real terms between 1997 and today) but while there were some improvements, they have not been commensurate with the additional resources injected. A focus on performance has delivered results with waiting times for operations and attention in Accident and Emergency both down significantly across the country. But it hasn’t delivered outcomes – overall levels of public health are still poor and vast inequalities in provision of service still exist. The next stage of reforms – built around the delivery of greater patient choice (for example through the establishment of Foundation Hospital Trusts) – is intended to bring greater competitiveness into the NHS which should help to move the service towards the ideal position and drive better, more equitable, service outcomes.

Conclusions
Stacey has suggested that while a managerial approach might be appropriate in a context which is stable and with a high level of agreement about solutions (for example the Civil Service from the age of Northcote-Trevelyan to the early 1970s), it does not work when the environment is more uncertain and there is less agreement about what needs to be done. Since the
late seventies, public sector organisations have often continued to apply the bureaucratic practices with which they are comfortable to situations that have demanded a different approach. Successive Governments have attempted to address this by imposing the performance culture of the private sector but without importing the other key element that drives private sector results: competition. It is competition, in the form of trying to win a defined contest, which drives innovation and results – not performance measurement or management – and it is arguably the lack of any contest within much of the public sector that hinders the reform process.

The Performance/Competitiveness Matrix (Figure 2) suggests a framework through which organisations can evaluate their effectiveness. If they are failing to achieve their desired results is it because they are focusing too much on performance or too much on competitiveness? Tony Blair could have been describing a move up and then across our model when he said in 2005: “Since 1997, there have been two stages of [public sector] reform. In the first we corrected the under investment and drove change from the centre. This was necessary. For all the difficulty, without targets for waiting times in A and E, or for school results, we would not have got the real and genuine improvements in performance. … In the second stage, essentially begun in 2001, we added another dimension. We started to open the system up to new influences and introduced the beginnings of choice and contestability” (quoted in Haldenby and Rainbow20). In order to make the move towards the ideal position of our model, organisations have to pay a greater regard to their external environment, to outcomes not processes, and innovate to respond more rapidly to change. There are some signs that this approach is starting to work in health, education and other areas of public service. The challenge now is to roll this approach out across the entire public sector.

References
