

IN DREAMS BEGINS RESPONSIBILITY

A  
TRIBUTE  
TO  
TOM  
EVANS

EDITED BY  
BARBARA STOCKING

KING EDWARD'S HOSPITAL FUND FOR LONDON

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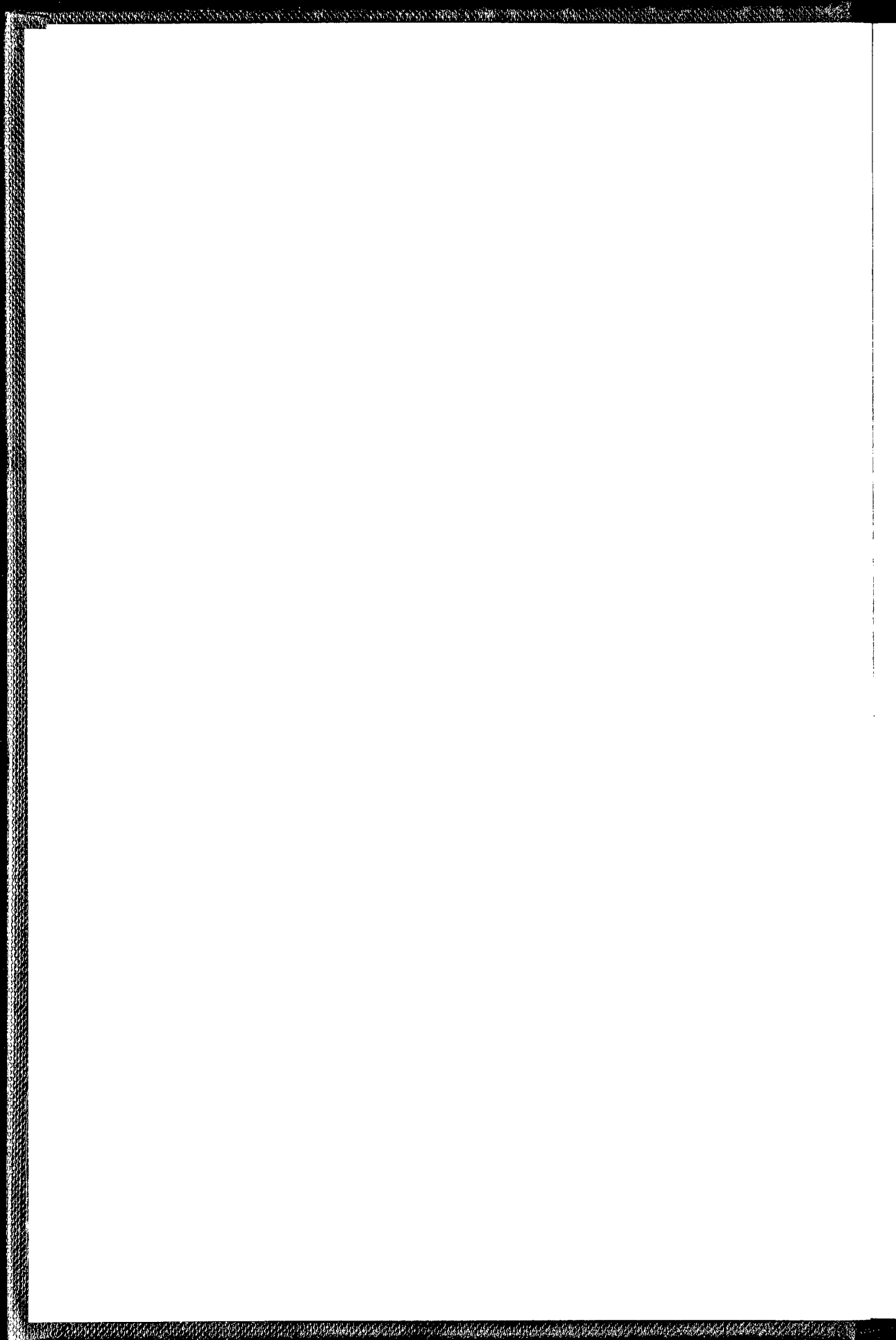
TOM EVANS was Director of the King's Fund College from 1981 until his death in 1985. In this short time he had a considerable impact not only on the college but on management thinking and management development in the NHS. This book is a tribute to him. It includes papers by Tom Evans himself and by a number of people who shared his thinking on specific issues. The papers cover a variety of management issues: an exploration of what strategic management and strategic planning mean; management in the NHS; accountability in the public sector; and, perhaps the area most dear to Tom Evans, how individuals and people collectively in organisations can be helped to learn and develop. The papers are relevant to managers generally and of particular interest to those in the NHS and other public sector organisations who knew or heard about Tom Evans and would like to know more about his thinking and approach.

BARBARA STOCKING, the editor of this volume, was recruited as a fellow of the King's Fund College by Tom Evans and is now Director, Health Services Development, at the Fund.

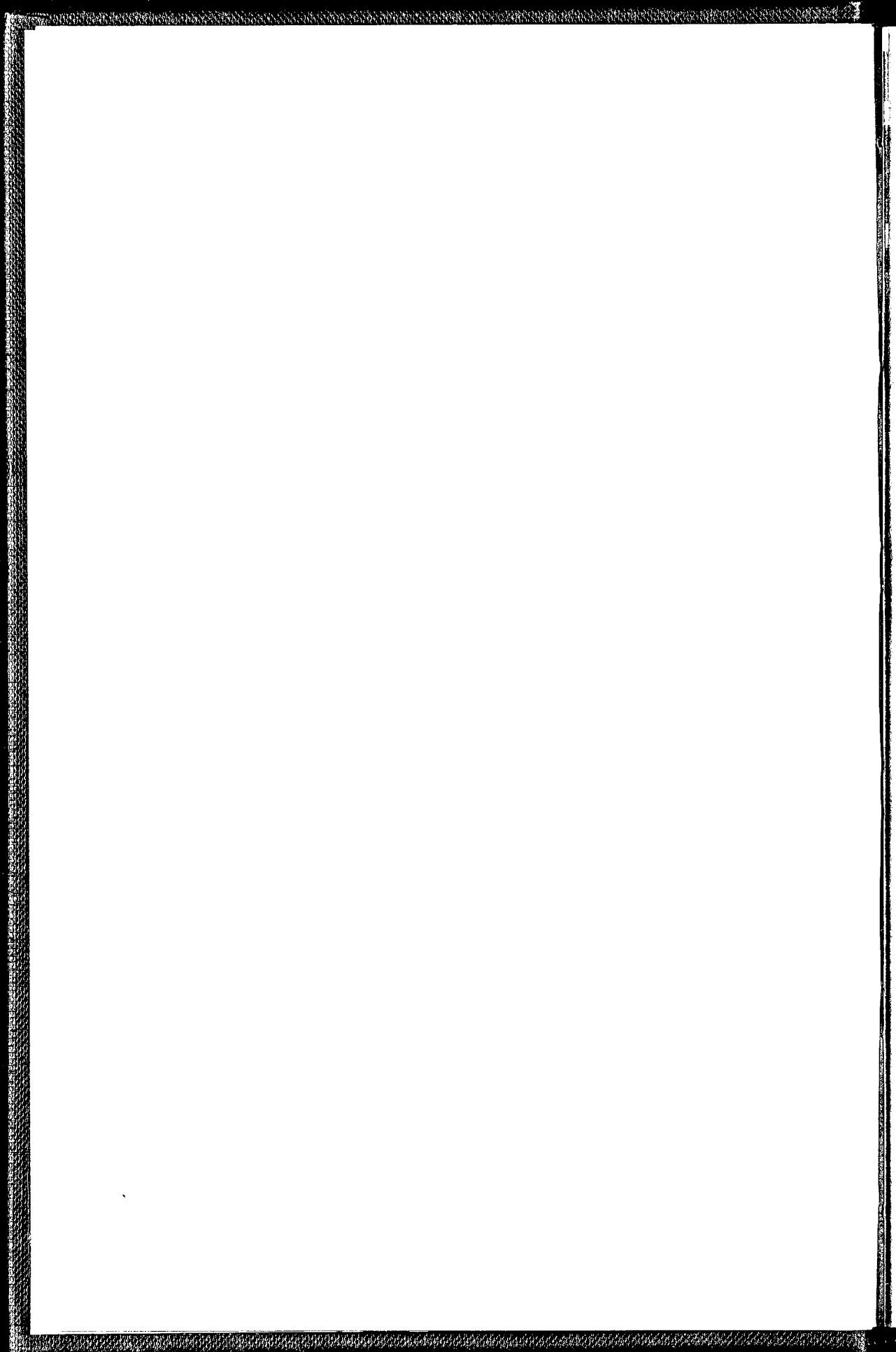
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begins responsibility



# In dreams begins responsibility

A TRIBUTE TO TOM EVANS

Edited by Barbara Stocking

King Edward's Hospital Fund for London

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## INTRODUCTION

Tom Evans, Director of the King's Fund College from 1981, died in the summer of 1985, aged 44. In the short time he was Director he had a considerable impact, not only within the King's Fund but more generally on management in the National Health Service. He was a superb teacher and eloquent and persuasive speaker but, as he admitted himself, putting his thoughts down on paper was not his strong point. As a result, though many people were influenced by him, relatively few knew the range of his thinking.

When he knew he had only a short time to live he planned to write a book bringing together his perspectives on analysis and its role in policy and action, and on management and management development, especially in the public sector. In the event he only had time to write a part of his intellectual autobiography, which was to be the first chapter of the book. He had, however, thought through the outline of the book and when we realised he was not going to be able to write it all himself, we discussed who, amongst his colleagues, shared his views on a particular topic. In bringing together this collection of papers as a tribute to Tom, I have tried to follow his outline as much as possible, either using papers Tom had written himself or asking colleagues who shared a particular perspective to write an essay. Most but not all of these writers were then selected by Tom. Of course the writers do not necessarily share Tom's perspective entirely. It is certain that he would have disagreed with them over many points. Even if he had not, the arguments which would have taken place would undoubtedly have led to a deeper understanding of the issues.

Despite following Tom's outline, I am sure that the book is nowhere near as good as the one Tom might have written. What it lacks is Tom's personal framework. Without this, though individual papers may stand well on their own, there is not the logic and coherence which Tom was able to bring to all his analysis and insight.

However, I hope that this book will achieve two things. For those of us who knew Tom, I hope it will help us remember

some of the lessons he taught. He had a profound effect on our understanding about learning and about management and yet, in retrospect, it is difficult to remember precisely what were the insights he helped us develop. That is what he would have wished because he was more concerned with growth than prescription. The second purpose is to bring a little of Tom's thinking to people who may have heard Tom speak or perhaps never met him at all but who may have wondered who he was and why he was held in such esteem.

With that as an introduction, let us turn to the contents. The first chapter is Tom's intellectual autobiography. Because he did not complete it, I have added some extracts from an internal King's Fund discussion paper which gives some flavour of what Tom was trying to achieve in the King's Fund College in the last few years of his life.

The first main section then explores the meaning of strategic management and planning in three papers: one by Tom himself, one by Robin Wensley, his colleague at the London Business School (LBS), and one by Greg Parston, his colleague at the King's Fund College. As someone coming relatively recently to these issues, I have found them complex and difficult to grasp, yet providing much to think and reflect about. I hope these papers will help others in a similar position to get to grips with what these concepts mean and their relevance to managers.

The last part of Greg Parston's paper begins to draw out learning as the essence of strategy. Learning, whether by encouraging individuals to reflect or in institution building, was a major theme, if not the key theme, in Tom's role at the King's Fund College as educator and director. In the next section Kathryn Evans and Robin Coates, both associated with the College, explore the idea of a learning organisation, while Charles Handy, another colleague from LBS, takes up the issue of learning to be a leader.

It would be wrong to imply that the section on management in the NHS applies the analysis of the earlier papers. Tom did not believe in the separation of policy and action, of analysis and practice, but spent his time trying not so much to bridge the approaches as to illustrate how they were entwined within an overarching framework. Nevertheless, the context to which he applied thinking in recent years was the public sector and more

## INTRODUCTION

particularly the NHS. The papers in this section include one by Tom on where management should be going in the NHS. Tom's period in the College overlapped, of course, with the Griffiths enquiry and the implementation of general management in the NHS. Tom was strongly supportive of the 'spirit' of the Griffiths report, though he abhorred the idea that it might be interpreted word by word as a prescription for the NHS. The first paper here on the Griffiths report was prepared jointly with Robert Maxwell as evidence to the Select Committee on Social Services and seems as relevant today as when it was written, especially in its comments on the NHS Management Board. This is followed by a paper by Robert Maxwell, Secretary of the King's Fund, giving his personal view on the implementation of Griffiths and a paper by Alasdair Liddell, District General Manager, Bloomsbury Health Authority (of which Tom was a member) on its implementation at district level.

The last two papers in the collection concern accountability and performance appraisal, issues which Tom worried over for a number of years. One paper is by Tom discussing accountability in the public sector, again with particular reference to the NHS, and the other is by David Chambers, from LBS, discussing performance appraisal in public enterprises. It seems fitting to end with these papers since these issues are high on the agenda of the NHS at the present time. They are areas where Tom would have had a great deal to contribute to the current discussions.

Many of the authors have added a personal recollection about Tom. I hope these comments give a sense of Tom as a person and serve as an antidote to a book which might otherwise be seen to be only about the intellect and analysis. Tom would not have wanted that. His belief was that it is essential to combine intellectual analysis with the emotional, intuitive response, and that starting from a purely intellectual perspective places too great a restriction on the values, the methodologies and the phenomena being studied.

The final word should be about the title of this book. 'In dreams begins responsibility', is a quotation from W B Yeats which Tom often used. This phrase seems to sum up Tom's approach. He had imagination and vision about society,

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management and learning, but these were not idle dreams; he took on the responsibility and the risks of trying to make them happen. Tom gave a great deal of himself to try to achieve these visions and had the ability to excite and encourage others to do the same.

Barbara Stocking  
Summer 1986

TOM EVANS

An intellectual  
autobiography

The first part of this paper was written by Tom Evans in the spring of 1985. It was to have been the first chapter of his book. He did not complete this chapter and I have recorded the subsequent events in his working life. Tom's views on management in the NHS are presented in subsequent papers but I have also included extracts from a strategy paper Tom prepared in 1982 describing what he was attempting to achieve in the King's Fund College and his approach to management development.

Barbara Stocking



*'Our deeds still travel with us from afar,  
And what we have been makes us what we are'*

George Eliot, *Middlemarch*

AUTOBIOGRAPHY has always appeared to me a faintly suspect pursuit. This is due in part to a latent puritanism. Biography, in contrast, has been a permanent fascination. But any reluctance was also based on an overestimation of the worth of ideas in their own right, disembodied from their origins or the context of the personal history of their host. This, among many other myths and shibboleths, has crashed from its pedestal in my reappraisal of the last few months, aware of the likely closeness of death. A certain puritanical embarrassment remains, but I have come to realise the difficulty of expressing the thoughts and concerns that underpin my intellectual approach other than through some rehearsal of the processes, struggles and frustrations through which they became important to me. I am conscious that, however fragmented and incomplete my thoughts have been, they have gradually fashioned a perspective, a distinctive framework from which any worth of my work has stemmed. I do not wish to pretend for this perspective a greater coherence than it possesses. Its hallmark is the ambiguity and dilemmas inherent in living in uncertainty. It would be surprising if the perspective itself betrayed greater understanding and coherence than it could allow in the world to which it is applied.

Despite this, my interests and activities in my later years at the London Business School and in my time at the King's Fund have followed a certain consistency of theme. In particular, the strategy for the development of the King's Fund College has been very consciously a product of the framework I brought to it. My colleagues have put me under pressure to share that framework of thought with them as a basis for our collective development.

My interests have been in policy and action – how individuals and organisations reflect on and decide what to do. From the beginning, my particular angle has been that of the educator, concerned with helping practitioners to equip themselves to cope with the mysteries and stresses of policy oriented

action. Inevitably this interest has ranged over such questions as:

How analytically tractable are policy problems? In particular, does 'good' analysis lead to 'good' policy?

What qualities, intellectual or other, enable some people to appear to be distinctively good at policy making or policy management roles?

What can be done to develop appropriate skills or insights to improve professional managers in policy roles?

Equally inevitably, it exposes another set of questions which underlie those. These concern the nature and use of policy analysis, values and their incorporation in policy processes, human abilities to tolerate, respond to and learn in the face of complexity and uncertainty, and the nature of responsibility and accountability in conditions of ambiguity.

In the face of such issues, my emergent position seems to have three broad themes:

1 An increasing suspicion of an analytical perspective which both grossly overestimates its own explanatory power and is naive about how peoples' values can be structured through display of trade-offs between policy objectives. Such an analytical perspective has a tendency to reductionism – squeezing the world's quart into the pint pot of its own adequacy – and embodies a strongly '*instrumentalist*' view of policy, one which consists primarily in finding levers to pull to achieve the desired outputs.

2 An emphasis on a 'synoptic' analysis which provides a sense of shape and a context. Though expanding the range of factors we consider makes for greater complexity and more untidy structures, it also brings us closer to the world practitioners face in action. Defining more limited problems produces greater analytical mileage, but heightens the gap between analytical recommendation and real action – a gap many practitioners find unbridgeable to the detriment of any use of analysis at all. The contrast is between coping with uncertainty and ambiguity rather than pretending it can be disregarded. Finding ways of developing practitioners' capacity to cope rather than

teaching them analytical skills *per se* has been an important theme.

3 A focus on the manager or professional and on his ways of knowing, understanding and learning. Those of us who use a logico-causative analysis to understand other people's behaviour often underestimate the nature of their own 'knowledge-in-practice'. For me the issue has become that of trying to relate to the judgments, self-awareness and capacity for reflection of practitioners as a basis for their development. Being 'manager-centred' as a teacher is about using the manager's own experience and processes of learning rather than merely seeking to induct him into a body of knowledge.

This attempt to articulate my framework and broad perspective forced me back into the origins of my principal concerns and ideas. They are a history of confusion and search, of frustration and the gradual accumulation of building blocks. For as long as I can remember there has been a tension in me between the path of intellect and that of spirit or intuition. Well into adulthood this was obscured by a superficially convincing, but predominantly mechanistic, analytical skill. I have always imagined that I shared a common fate of many bright working class children (boys in particular) whose upward mobility was fostered in the academic tradition of grammar schools of that time. Ability was expressed primarily in mathematics and sciences with enormous – and in that tradition, ignored – gaps in breadth of reading, the capacity to write expressively, or the context of ideas. I had never heard of Jane Austen, let alone read her, till I had left university. An accelerated 'O' level programme, described at the time as 'getting things out of the way', led to a concentrated programme of maths and physics, with the aim of a scholarship to my maths teacher's old college in Cambridge. I showed the manipulative skill and quickness which seemed largely to suffice in the study of mathematics at that level, but, I believe, entirely lacked the conceptual ability necessary to its study at a sophisticated level. How sorely would that gap have shown had I followed my predestined path. This is not the place to indict coercive overspecialisation in our schools, only to note the origins of an imbalance that was to plague me for years, and of a practice of coping through those

essentially superficial skills of manipulation and intellectual quickness. Fortunately intuition surfaced and won out. Oddly, my resistance was expressed primarily in an antipathy to Cambridge, though, when I decided not to enter the scholarship examination, I had no alternative in mind.

The espousal of a narrow academic role at school was accompanied by a sense of grievance on my part about recognition in other dimensions. The lack of such recognition by the formal structure led me into the only post in the school which was elected, namely the chairmanship of the debating society. For me, revolt and the development of oral skills were as one. It also provided me with opportunities – at great length and boringly – to express a crude but forceful sense of class deprivation. It was hardly surprising I suppose that my headmaster's farewell was: 'You'll like the university, Evans. You can make your mistakes there and get away with it'.

I wish I could suggest that my change of direction to study statistics and economics at the London School of Economics (LSE) could be attributed to idealistic or even ideological motives. In fact, the award of a generous scholarship which would enable me to live away from home at a comfortable level played its part. LSE seemed like a vast, anonymous labyrinth. Its physical inhospitality, its apparent lack of interest in undergraduates, the daily struggle even for a place to sit in the library all contributed to a great sense of apprehension and insecurity. My first term illustrated the conflict between my 'inner' and 'outer' man perfectly. In the second week I spoke in the freshers' debate, and was immediately incorporated into the LSE debating team. In the same way I plunged immediately into the Students' Union. Yet at twenty five years' distance I may now confess that, as a result of missing the introduction to the library, it was a whole term before I could overcome my apprehension and shyness and set foot there. This contrast between an external boldness and an internal hesitancy was one that remained with me for a good while.

Life at LSE was largely about the externalisation of personality. Of my nine undergraduate terms I held Union office for eight, culminating in the Presidency in my final year. I was in the debating team and was Chairman of the Labour Society. Being a public figure, well-known in my little pond, was a way

of life. I felt a great affinity with the political and emotional tone of my Union. The need for a tinge of rebellion was also fed, in that we were a persistent and notorious minority in the assembly of the National Union of Students, out of step with the leadership yet hard enough to command some real respect as an opposition. This was a euphoric period and one which laid some strong foundations of confidence and direction.

Yet it contained two apprehensions which became persistent pressures. The first was a profound suspicion of the public role and the public persona. I didn't feel inside to be the sort of person others seemed to imagine. Moreover, there was a suspicion that the public role was based more on the capacity to tell people what they wanted to hear rather than on any ideas of my own. Indeed, for some years after, I seriously doubted whether I had any distinctive thoughts and commitments and suspected that I might have all the qualities of a successful chameleon. For whatever reason I felt strong doubts about the public and political role for which many of my contemporaries assumed I was destined.

The second apprehension concerned the way in which my active undergraduate life had hidden any genuine development or test of any intellectual worth. I finished with what was described as a 'President's' degree, which was merely a euphemism to hide its mediocrity. While I had no basis to assume I could have done much better, others were kind enough to insist that I should not be so easily satisfied. Not for the last time mentors took a strong part in my direction, in this case in the form of R G D Allen and Sidney Caine. (I might say that I have believed subsequently in the importance of mentors and have tried, more modestly, to fulfil that role in turn myself.) Both were generous in their encouragement. I have always regretted the subsequent vilification of Sidney Caine at the time of the LSE troubles; it seemed harsh reward for some of the qualities I experienced in my relationship with him. As a result of their intervention I was enrolled for a Master's degree at LSE. Having a fairly strong mathematical background, I was guided towards the area of mathematical economics, which was then quickly emerging as a literature but weakly represented in LSE. As a result my basis in economics was abstract and theoretical. Because of my young American supervisor, Ed Kuska, it was also thorough, at least in

its grounding in the literature. His attitude was almost that if it has been written in the last seventy or eighty years it is worth reading. One can always determine later what is junk: certainly one should not define quality on hearsay. His own reading was prodigious and as a result of his influence, I have had a greater interest in economics as an emergent set of ideas, with both successes and cul-de-sacs, than in its current concerns. Since I was unable to study full-time it was necessary to find work. A mackintoshed figure on Margate promenade at a National Union of Students' conference offered me a job. Eric Robinson had recently been appointed to Enfield College of Technology, and had brought a commitment to convert an orthodox local college into an educationally progressive and innovative institution. None of us, including Eric, knew what this meant at the time, but he had the courage to bring together a small group of people with such a mission, to create opportunity and see where we went. The success that we achieved there convinced me that radical innovation was about people, creating opportunity for them and a reflective sense of quality, rather than grand design. It was my first experience of what has become the theme of my professional life, namely institution building. Without necessarily being conscious of it, I find I have worked only in new or relaunched organisations. I have little doubt that that stems from the Enfield experience.

In retrospect, I cringe at some of the things we did in the alleged interest of educational progressiveness. But the major aspects of it were a profound basis of learning even when we were wrong. Perhaps the most substantial of those errors from which I learned, concerned the power of competence and how it might be misused. We were a small group whose competence was primarily political rather than intellectual. But with the sanction of the senior management, we were able to dominate the rest of the college. Our agenda became the legitimate interests of the organisation. While I remain convinced that many of our primary concerns were correct and reasonable, the ease with which that power of competence became repressive and self-congratulatory has always impressed me. Indeed, in the end, one of the reasons why I left was because I could not believe that the world outside was as uniformly inept as we painted it. I needed to see for myself.

Despite this important, and I hope honest, caveat, it was a remarkable formative experience. There were four legacies of this period, all of which have remained with me since. The first of these was the need to think about being a teacher and the need for a framework, not just about the technique or method of teaching, but about the educational and developmental perspective from which teaching worked. I would think this so obvious as to be unworthy of remark were it not that my subsequent experience has shown that linkage to be all too rare. Particularly in the area of management development, there are many who devote great effort and insight to improving their teaching while holding, without much thought, the crudest views on the process of educating and developing practising managers. The conjunction of teaching and educational philosophy has been fundamental for me.

The second legacy flows directly from this. One of our initial interests at Enfield, largely focused by Eric Robinson, was the relationship between facts and analysis, and values and judgment in professional practice. At first, this was applied to scientists and engineers, but subsequently it became broadened to managers and social scientists. The core of the issue was the attempt to realise the subjective and normative nature of knowledge and analysis and to encourage the professional practitioner to become more aware of the basis of his own understanding and action. These are today's words rather than those of the middle 60s, but once again this has been the foundation of my position subsequently as a management educator. It carries with it the kernel of the idea of 'manager centredness', that we should be working from where the manager is and helping his reflection and development, rather than importing bodies of knowledge which we as academics imagine to be potent.

The third element that remains with me was the realisation that what was at issue was not merely my individual activity and ideas but the building of an institution. It is possible to create an environment within an organisation in which the expectation is that radical ideas can be explored rather than inhibited. Any organisation has a tendency to encourage ideas which reinforce its dominant myths and assumptions and to inhibit those which do not. That same effect can be used to promote ideas which are divergent and destabilising. Moreover, the social effect of

the organisational embodiment of a different perspective is much greater than that of its significant individuals. This was fairly minimally achieved at Enfield, whose primary effect ultimately was on its students and the eventual spread of its staff and the ideas to other institutions. Nevertheless, the seeds of the realisation of the impact of an effectively directed institution, with a coherent basis of ideas, and a sense of its social leadership were there, and eventually matured into my approach to the King's Fund.

The final legacy was the understanding that these several concerns could not be met through an extension of sets of ideas. At Enfield we set our hearts (and thence our heads!) against the dominant academic, analytic, expertise-based paradigms. In practice, much of what we did, for example in designing degree courses, embodied exactly what we objected to, though masked by language and presentation. I do not think that any of us had a real understanding of the alternative, but that probably merely increased the ferocity with which we attacked orthodoxy. Nonetheless there was a sense that what was needed was something radically different, not a revised or extended version of what was.

Perhaps the distinctive inheritance from this period was the feeling of excitement and ambition. By the age of 26, I had been largely responsible for the design of three major undergraduate programmes, embracing an intake of over 300 students per year. I felt, however arrogantly, that what we had done could compare educationally with anyone else's efforts in the UK. We saw ourselves at the front edge of educational innovation. Moreover, I had developed a belief in the role of entrepreneurship – what could be done if somebody would pick up the ball and run – and of how an organisation could be made to foster and enhance such initiative.

However, towards the end of my time at Enfield, another prospect raised its head. I was awarded an MSc at LSE of such distinction that the spectre of academic worth became real. Despite its absurdly esoteric focus on mathematical growth models, my MSc whetted the appetite. I toyed briefly with the ideas of writing a PhD thesis in the form of an intellectual biography of Irving Fisher, an American economist of the early twentieth century: an interesting, innovative thinker at a par-



ticularly stodgy time in economic ideas. Though I quickly cured myself of quite such an academic interest, I had itchy feet. I wanted to know more of this world on which we had poured so much scorn.

I joined the Government Economic Service and was allocated to the Department of Economic Affairs (DEA) to be responsible for input-output analysis and the forecasting of industrial output and employment. Perhaps the most concise comment to make about this time is that I joined as a career civil servant and lasted eleven months and twenty one days. No doubt much of the fault was my own. I doubt whether, even had I been in a better Department, I would have been a successful civil servant. For example, I find it difficult to sympathise with such enigmas as, when I enquired of a superior what in his view made a good civil servant, being told that it was not having to ask what made a good civil servant.

When I arrived, the DEA had known better days. Its main flurry of enthusiasm and the centrality of its role in government economic policy were over. Our main task was servicing inter-departmental committees. In my field the contrast between the input-output methods we were using and the quality of our information base and those employed in other countries was astonishing. Despite that, it seemed to be impossible to get new issues or approaches on the agenda. Our main task seemed to be to find ways of efficiently manipulating the inter-industry coefficients so as to generate the output forecasts other departments advised us were appropriate to their industries. Even a cursory knowledge of input-output analysis is enough to realise that this destroys any credibility of the exercise. When after a series of critical (and presumably petulant) memos, I was prohibited by my Assistant Secretary to write to anybody above my own rank without showing him first, the time had come to part company.

But what to do next? When the choices were clarified, they were between teaching econometrics in an orthodox university department of economics or joining the faculty of the London Business School (LBS). The LBS was then a young and small organisation in temporary premises. It had a faculty, grouped in terms of recognisable disciplines, and composed mostly of people with university backgrounds, but nevertheless repre-

sented a somewhat quirky and risky career move at least for people with more academic reputations at stake than I. As one friend put it: 'They don't do any *real* economics there!'. For me that was more of a comment on economics than on LBS. Of course, in retrospect all the fears which abounded at the time seem absurd. In practice, I felt much less apprehension in going there than many suggested that I should and I embarked quite merrily on what was to be a long love-hate relationship with the school.

Though I went there as an economist, I was already defining myself out of that field. I talked in terms of decision-making, policy and the economics of information and organisation. Indeed one of the attractions was that those interests seemed to make sense to those already there. It was my first experience of working closely with high quality professional economists, represented in this case by Jim Ball and Michael Beesley. Both had taken a real risk in going there, but both had the intellectual breadth to move into new areas as was demanded by the interests and concerns of the school's clients. Though quite different, they were both very professional and both held that quality in high esteem. Of the many lessons I learned in my years there, a desire to be professional in one's standards was foremost.

I worked more closely with Michael Beesley than with Jim Ball, though in the latter's period as Principal I was involved as the faculty's representative in many of the policy and strategic issues facing the school. My major battles in my trek away from economics were fought with Michael and they were often bloody and acrimonious. But there was never any difficulty in getting back on terms. Our major work together, a book to which I shall refer later, exposed fundamental disagreements which had to be negotiated sentence by sentence. The result was a book which I still believe to be of interest, but which was neither accessible nor kind to the reader. I hope those few who have read it will forgive us if they can understand the pain in which it was conceived.

I have referred to my time at LBS as a trek away from economics. It was more a matter of movement into interests to which economics appeared to make little contribution. When I went there I was already interested in issues which were apparently peripheral to mainstream economics, though some econ-

omists (primarily in the USA) were beginning to contribute to them. As a teacher at LBS I covered the range of economics teaching – macro-policy, microeconomics (or rather the economics of business decisions), industry economics, and industrial policy. Fallow periods of exploration and confusion were followed by times of explicit growth and development and then by more fallow periods. I suspect it makes little sense to trace those movements over thirteen critical years. It is enough to recognise that they were years of confusion and crisis of confidence as various dimensions of my deviance became apparent. Overall they had the effect of developing great confidence in my deviant perspective and the ability to formulate it. They also convinced me that I could live in the big time and cope and indeed that I had something serious to offer in critique.

The period of my flight from economics in my early years at the London Business School was the most difficult of my life. I suppose the late twenties and early thirties are a phase of reassessment for most people, particularly if their career has not yet fallen into an overt pattern of success. It was a period which was full of false starts, of uncompleted projects, of little tangible output. As a consequence it is difficult to describe. Yet the fact that it laid the foundations of much that followed makes it an important feature to include. Increasingly the problems that economics as an organised body seemed prepared to address, and the assumptions it brought to bear, seemed inadequate as a basis either for my own interests or for developing managers. That is not to deny that economics might be a useful input to managers, but it did not begin to address questions of how managers might use analysis and how this in turn might affect the style or content of analysis. I am talking here primarily of economic analysis for decision, not of the indisputable but marginal interest of macro-economics as a contextual study. We reduced the teaching of economic analysis to six basic concepts, the application of which would enable managers to gain greater insight into their problems. But the problems to which they could be applied were ‘tame’ problems, with fairly clear structure. What we had to say about how managers could handle more complex or poorly structured problems, with unclear objectives and great uncertainty, remained largely unexplored.

This interest in complexity, poor structure, values and uncertainty, was reflected in my research activity such as it was. I produced very little over the period. Successful research seemed to me to be a fairly 'straight' activity, best achieved by exploiting a well-identified vein either of problem or of methodology. I suspect that my interest in non-researchable questions was in part a refuge as well as a critique. I felt I did not have much of importance to say, and was not very good at inventing things to write about. There was greater consolation (and learning!) in teaching and thinking. However, my self-deprecation over my research record should not obscure my abiding belief that a great deal of research is self-generating and self-justifying. Often it is meaningful only to itself and represents a poor investment of very able people. It has a strong propensity to be convergent, to emphasise only established and tangible problems and methodologies, and to inhibit speculative or deviant ideas unless they can be represented in the terms of established concepts and methods. In the meantime, enormous social problems pass unattended.

Despite these convictions this period represented a major crisis of confidence. I had to admit at least the possibility that the whole issue was my inadequacy, not the effect of seeking for a focus of research more related to the problems I was trying to address. I became adept at inventing titles and sketching outlines of work which never appeared, or even of writing papers which were suggestive but never published. It was increasingly difficult to resist the suggestions of well-disposed friends that maybe I was in the wrong business. Yet though I could give it only inadequate expression, I felt an enormous conviction that there was something there.

The positive reinforcement of this came with the increasing evidence that participants in courses found me a suggestive and exciting teacher. In particular, this found expression in the work I developed on the corporate environment. The turmoil of the 1970s found the LBS short on people who had anything to say about the social and political environment of business and on how the massive disruption that was taking place affected the assumptions, values and strategies of companies and their managers. Michael Beesley and I undertook a programme of work in this field which culminated in our book 'Corporate

Social Responsibility'. In due course, this became the centre-piece of my teaching role in the school.

*Editor's note*

Without Tom, it is difficult to trace his intellectual development at LBS further except through those with whom he collaborated on issues of planning, strategy, and management in the public sector including the nationalised industries. Papers by David Chambers and Robin Wensley, two of his colleagues in the school, appear in this collection. The facts are that he became the founding Director of the Institute of Public Sector Management at the school. He also began his involvement with the National Health Service by becoming a member of an area health authority. After reorganisation of the NHS in 1982, he became an influential member of Bloomsbury District Health Authority and continued in this role until his death.

In 1981 Tom was appointed Director of the King's Fund College, one of the major centres for management development in the NHS. Over the four years he was director he transformed the college, not just in terms of numbers of staff (though he started with three faculty members and there were almost 30 by the time of his death) but in the approaches to management development and in the thinking about management in the NHS. Some flavour of his thinking about the NHS appears in this collection. The following extracts, however, come from an internal discussion document entitled 'A strategy for the King's Fund College' which Tom wrote in 1982. They give an idea of what Tom was trying to achieve in and through the college.

## WHERE ARE WE NOW?

*Management education in the NHS*

Considering the scale of the NHS as an employer, the level of management education that takes place, either in specialised centres or in the service itself, is unimpressive. It may be that numbers of managers would be a better basis of evaluation, but even then it is likely that the commitment to management development compares unfavourably with that observed in a comparably complex and sophisticated organisation in, say, industry. It is, of course, a general problem of management

education that it is easily reduced to the ritualistic – a low level responsibility within the organisation, based on images of ‘training’, and conceived mainly in terms of hurdles to be jumped in career progression. This, it seems, is largely the case in the NHS, though it must be said that there are some clear exceptions. But it is arguable that this situation is changing. Where the demand for management development in the NHS will go and how far different qualities of development experience will be seen as important inputs to the management of needed change in the service, are critical to the assessment of what the college can achieve. ...

There is increasing recognition of issues of change in the service itself. The implications of ‘zero growth’, of the changing role of the private sector, of changes in clinical career structures or nursing education and many other current issues, pose managerial challenges of considerable complexity. Developing managerial skills and organisational competences are an important element both in specifically thinking through these challenges and in enabling the organisation to cope. There is, consequently, an increasing recognition of the role of management development in facilitating responses to these problems. But it is a role for a different kind of management development activity than has traditionally been provided. ...

### *Existing practice in the college*

The characteristics and activities of the college are the other side of the coin to the general issues of the system of management education and the demand for its services. A successful strategy must match and develop the two congruently. In order to think forward about how the college might develop, we must have a realistic appraisal of current practice and performance.

More important than the structural problems of programmes is the educational style and philosophy which we bring to them. The dominant style of courses could be described variously as a ‘witnessing’ or ‘pot-filling’ model of education, in which the ‘empty’ student is gradually filled with knowledge or information by listening to the best relating their expertise. This approach assumes a relatively passive, receiving role for students. Perhaps more significantly, issues of educational philos-

ophy have not been very explicit, which makes debate about alternatives somewhat difficult. Later, I shall advocate a somewhat different philosophy of management education and shall argue the importance of debate, but, for the moment, the important issue is that the existing approach has created an organisation suitable to its own needs. This included a heavy reliance on external speakers and part-time personnel, and a role for full-time tutors which is primarily about course administration rather than teaching. This is a basis of practice which is unlikely to be able to support the different educational perspectives which might develop. . . .

In summary we are confronted with a current situation in which the general area of management development in the NHS faces considerable difficulties, but in which the growing problems of the service and its emerging awareness of the managerial dimensions of change offer great opportunity. At the same time, the college has a specific inheritance of programmes and educational philosophy combined with distinctive assets on which further development must be based. These are the challenges to which the proposed strategy for the college must respond.

## DIMENSIONS OF STRATEGY

### *Educational philosophy*

The task of managers in the modern age is not one that can easily be reduced to identifiable bases of knowledge and technique. Consequently, management development must be concerned with the way in which the manager uses his understanding, knowledge and analytical skills in the diagnosis of the problems facing him and the development of his responses. It must be a 'manager-centred' activity. That said, there is a wide divergence of opinion as to how to proceed. The distinctive dimensions which I see as the basis of the college's educational philosophy are as follows:

Compared to our existing programmes, there should be an increased emphasis on the conceptual development of the student on the programme. There should be a continuing pressure on his ability to analyse, express or conceptualise about his

problems in a sequence which builds, reinforces and extends his skills. This requires that substantial sections of programmes should be taught by single members of the faculty to ensure that progress takes place. It equally requires teaching materials in the form of cases or exercises to sustain the testing and development of conceptualising skills. This approach represents a more experiential flavour, involving the student in confrontation of issues and personal capabilities.

I do not believe that this approach can be conducted in the abstract solely on the basis of the teacher's expertise in his own discipline. Indeed, for an effective management teacher, teaching, programme design, case development, consulting and research are mutually dependent. It might not be necessary, though it is certainly desirable, that an individual member of faculty should span these activities concurrently, but they need to be represented as interacting influences within the college. In particular, direct involvement with active management, say through consulting, is a major source of illustration in teaching, of finely tuned case material, and of perspective.

'Arm's length' management development within an educational institution which is divorced from practice and career development in health authorities is of limited potential. The more mechanistic the use of our programmes the less we know about the needs of the people coming on them or about how the educational experience will contribute to their subsequent effectiveness and career. The answer can only be better marketing of our programmes so that people have more informed expectations of our programmes and closer relationships with clients and user organisations. Change in this dimension is a long and difficult task, but we should cultivate a more sensitive and integrated role for our work in the practice and development of management in the field.

Following the previous point, we should not be committed solely to educational activity which takes place within our own four walls. ... It may be that we should consider more radical departures, such as action learning or peer review networks. Perhaps our distinctive competence might be the facilitating, network role that is necessary to such alternative approaches.



Despite the assumptions implicit in the issues raised here, there remains an important debate about effective forms of management education and development in the NHS. This debate should be undertaken in the faculty, and the college should be a major contributor to the wider arena of debate in the service as a whole.

The emphasis in this educational approach is involvement with active managers and organisations in the field, and flexibility and variety in the responses the college can offer to the needs its clients express. This is consistent with the broad directions in which management development as a whole is moving. It is also appropriate as a response to the quality of problems the NHS is facing, in which the needs are for sensitive interventions in an organisation's development rather than merely for well-structured training.

#### *A centre of excellence*

The prime consideration of the strategy is that the college should be a centre of excellence in the field of management development in the NHS. All of its activities should be discharged professionally, with a level of competence comparable to any other institution in the country. The setting and achievement of quality standards of performance is an important foundation stone for the rest of the strategy. But it is also a condition of excellence that the college should be widely regarded as a source of ideas and perspective which lead developments in the field. A test of this recognition would be the demand from NHS organisations for special events and for the involvement of college faculty in helping them to formulate and implement their strategies for development.

To sustain this level of quality and recognition, it is important to delineate carefully the area in which the college would contribute. It should not attempt to be all things to all men. ... The future should be one of differentiation and competition between education centres. If a range of good but different approaches is provided, then the service can make its own choices. ... We should pursue our identity in terms of the quality and approach to management development that we provide. It should be a centrepiece of our strategy to identify and promote the distinctiveness of what we offer.

*The faculty*

It is clear that the quality of the faculty is critical to all of the issues mentioned so far. There is a need for a core of professionally mature and widely respected faculty members, who can combine the skills the college needs. To some extent the issue is the set of skills and attributes of the group as a whole, but individuals will need ability in teaching and the general educational debate, in consulting and developmental skills in the field, and in relevant and practical research. The major commitments of the faculty should reflect the basic orientation of the college. For instance, we should not seek to recruit individuals solely because of their expertise in a particular discipline. The emphasis should be on an ability to appreciate new research but to relate this to the development of managers. The distinctive quality of the faculty should be that of professional standards of management development.

However, individuals who meet these requirements are in short supply. Consequently, we can expect no more than a central core of such people, around whom can be built a younger and less experienced group, whose skills may be less comprehensive but who have the potential to sustain the full range of activities of the college in the longer term. The responsibility for developing younger members of the faculty and for building their skills towards a distinctive focus is a critical element of sustaining the quality of the college and of adapting its sense of what is important.

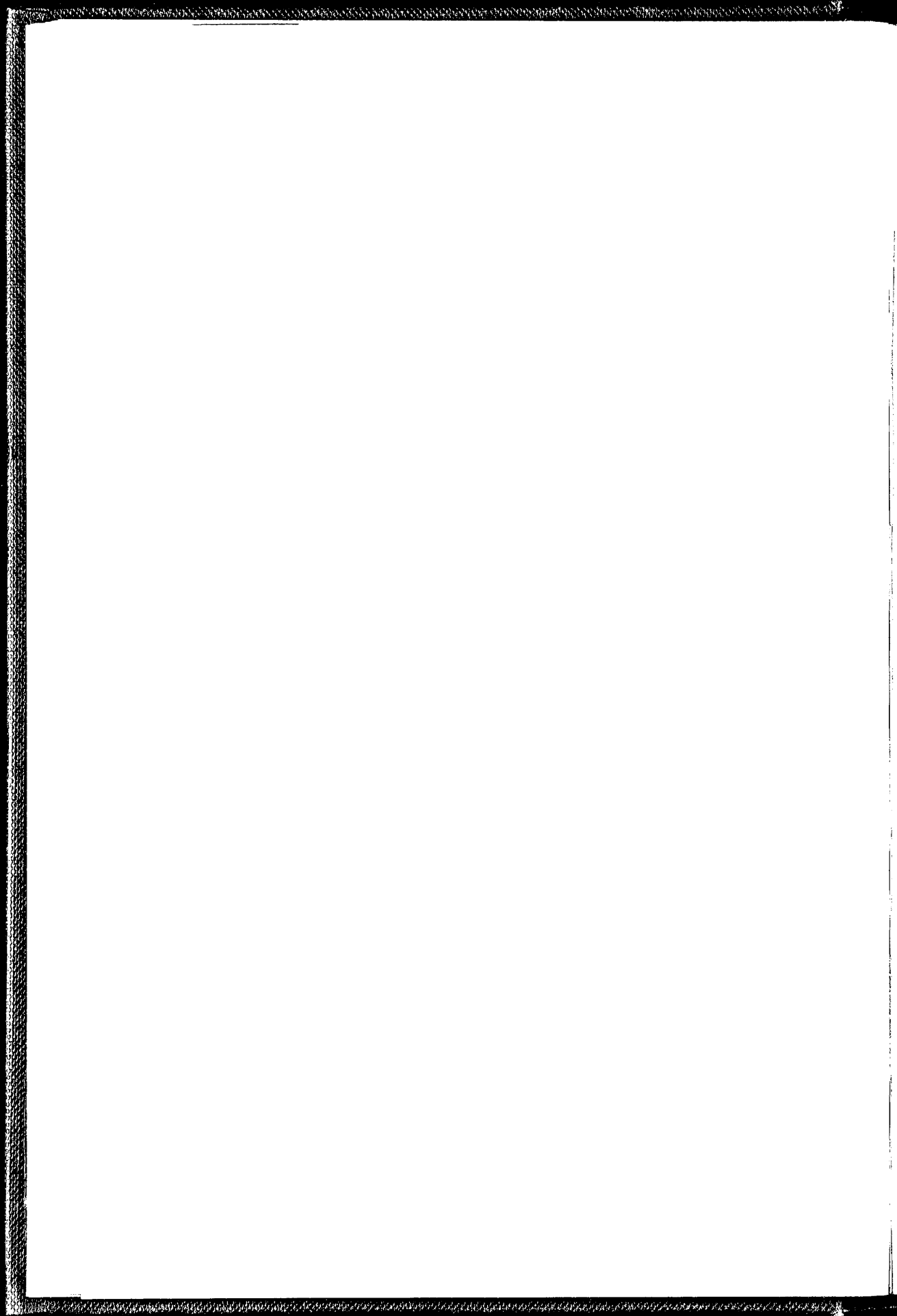
The major element of this strategy is the idea that a small organisation such as the college cannot afford to dissipate its efforts by the recruitment of a faculty without a focus. This does not imply coercion or censorship to a common line, merely that there needs to be an underlying consistency of purpose among the individuals involved and an active debate over means of achieving and refining these purposes.

*Relationships with the field*

The fourth dimension of strategy concerns relationships with the NHS organisation and managers. In part, this is a matter of responding to expectations we have generated. We are already experiencing the inevitable invitations which follow initial work

well done, or high profile presence in conferences or public discussion. . . . Clearly we cannot expect to respond to everything we are invited to take on, but a flow of invitations must be one indicator of success and unless we can respond actively to some, we should lose credibility. The problem is to match requests with resources in terms both of time and quality.

However, a second element of relationships with the field raises a more difficult problem, namely the long-term involvement of clients in the system of management development in general, and the college in particular. It is important that the outcome of the present turbulence in the NHS and in the management education system should be a more positive relationship between managers of health authorities and the activity of management development. In particular, we must establish the idea that an active, innovative and professional college is a real benefit to the field and one which they should accept some share of responsibility in creating. It is futile for us to develop our version of management education in isolation, and then for clients to decide whether or not they like it. The question should be where we collectively want the college to go and how they will be involved, financially and practically, in getting it there. The development of our proposed strategy and the activities which will result from it will form the basis of a prospectus on which such discussions can take place.



STRATEGIC MANAGEMENT AND STRATEGIC PLANNING

TOM EVANS

# Strategic response to environmental turbulence

A paper first given at a European Association of Programmes in Health Service  
Studies at Rennes, 1984

### *Introduction*

THE idea that the environment in which modern organisations work is more complex, demanding and unpredictable than it once was has dominated the literature of corporate planning and strategy over the last 20 years. Though the year 1973 and the OPEC crisis underlined the growing incapacity of planning practice to cope with environmental change, many of the ideas had been stated earlier in what are now classic texts.<sup>1,2</sup> Common to the extensive literature that has followed is the notion that the texture of the environment is changing in a way which outstrips the capacity of traditional methods of prediction, analysis and adaptation, and which consequently requires the development of new and greater organisational capabilities. At this point a clear and profound schism appears. There is a rational orthodoxy, which believes that a marked improvement in analytical competence is required, but that is consistent with the assumptions and perspectives of existing paradigms. The alternative looks for a revolution in mind, seeking to define a radically different paradigm and hence a different focus for corporate strategy and planning. The schism is ever-present in the modern literature and in contemporary debates about strategy and planning, though the assumptions and implicit values of the position being adopted are not always explicitly recognised in practice.<sup>3</sup> In the interests of fair interpretation and of the application of the reader's scepticism, I should make clear at the outset that this essay is written from a basis which is closer to the second perspective. Consequently, the argument of this paper depends upon an explanation of the concepts and assumptions which characterise this perspective and a display of the practical issues which arise from it.

The term 'turbulence' has crept into the language as an immediately recognisable description of a discomfiting, unsettling state of the world, of which we all have experience. Yet the original use of the term by Emery and Trist<sup>4</sup> involved a discriminating classification of four states of an organisational environment and an analysis both of the characteristics of (turbulent) environments and of the challenges they pose for organisational effectiveness and success. These characteristics are described in terms of the interconnectedness of elements in the environment and their propensity to be dynamically 'self-

exciting'. That is to say, environmental uncertainties arise and are amplified not merely as a consequence of the organisation's own action. Emery and Trist describe the phenomenon and the appropriate strategies of response:

... the dynamic properties arise not simply from the interaction of the component organisations, but also from the field itself. The 'ground' is in motion ... For organisations, these trends mean a gross increase in their area of *relevant uncertainty*. The consequences which flow from their actions lead off in ways that become increasingly unpredictable; they do not necessarily fall off with distance, but may at any point be amplified beyond all expectation; similarly lines of action that are strongly pursued may find themselves attenuated by emergent field forces ... In these environments individual organisations, however large, cannot expect to adapt successfully through their own direct actions ... the solution lies in the emergence of *values that have overriding significance for all members of the field* ... turbulent environments require some relationship between dissimilar organisations where fates are basically, positively correlated.<sup>5</sup>

While neither the full flavour of this concept of turbulence nor the diagnosis of appropriate responses have necessarily been replicated in the subsequent literature, the two most important characteristics of the idea are already clear here, namely:

That environmental uncertainty is not merely induced by an organisation's actions and that it may not be resolvable solely through that organisation's own strategy.

That a quantum leap from traditional organisational responses is required, not merely a refinement or extension of them. In Emery and Trist's case, this is the shift from competitive to cooperative strategies for dealing with the environment.

These two themes recur in the literature, even though the concept of environmental turbulence used is often less specific and refined.

In this essay I shall explore these issues of environmental turbulence, corporate strategy and planning in two stages. First, I shall consider the concepts as they have been employed in the private business world. Even there we can detect a substantial evolution in the concepts of strategy and planning in response to

what are perceived as turbulent environments. In the practice of strategy and planning, this evolution often surfaces as dilemmas and questions rather than as any radical shift of method. In the second part, I apply the ideas of turbulence, strategy and planning to public services which are not market based, to show that these conditions emphasise precisely the qualities which we had identified in emerging strategic concepts in the private sector.

### *Strategic management and planning*

#### THE CONCEPT OF STRATEGY

The concept of strategy as identifying the common thread of an organisation's activity is now commonplace. So, for example, Andrews gives a representative view of corporate strategy as:

the pattern of major objectives, purposes, or goals and essential policies and plans for achieving those goals, stated in such a way as to define what business the company is in or is to be in and the kind of company it is or is to be. In a changing world it is a way of expressing a persistent concept of the business so as to exclude some possible new activities and suggest entry into others.<sup>6</sup>

Such a view emphasises the importance for, say, a manufacturing company of finding some themes in developing its products and the market areas in which it will choose to compete. The private market-oriented firm is able to make substantial changes over a period of time in its markets, its products, and its methods of competition. Not surprisingly the concept of strategy which emerged emphasised such changes as a means of dealing with uncertainties (and opportunities) in its environment, and saw strategy as a means of plotting a coherent and purposive path through the many options of market and product adjustment open to the firms. So, one of the classic writers on corporate strategy, Igor Ansoff<sup>7</sup>, identified four components of strategy:

1 Product market scope: the industrial areas to which the firm limits its activities, or indeed whether it does limit itself in this way.

2 Growth vector: what means does the firm use to seek growth? For example, further penetration of existing markets, developing new products, developing new markets for existing products, diversification into new product market areas.



3 Competitive advantage: what is the basis of the firm's competitive advantage in its present or new markets; for example, cost, product quality, patent protection?

4 Synergy: how far are any new developments aided by the firm's existing expertise, technology, manufacturing facilities, or market position?

The intention is to find opportunities which the company has an advantage in exploiting because of its identified strengths. Or, to put it another way, the company seeks to adjust its linkages to the environment (products, markets, and so on) to produce the greatest congruence with its competitive strengths. Strategy is the representation of how this matching is seen at any point in time. The primary focus is on adjustment through changing the linkages into the environment rather than the internal capability of the organisation.

Out of an analysis of these factors a firm can derive both a sense of direction in its search for opportunity and criteria by which to judge any proposed option. Such is the function of strategy. Much of the work that was built on these foundations concerned the development of an analytical framework with which to define corporate strategies in practice.

To understand why these basic concepts of strategy have run into difficulty in practice, especially in the face of complex and turbulent environments, we must consider briefly the role of planning in sustaining the development of strategy and, in particular, problems in forecasting, in strategic analysis and in the process of defining and using corporate strategy.

#### PLANNING AND STRATEGY

In the vintage of planning which was contemporaneous with these concepts of strategy, strategic planning was seen as forecasting environmental change (and hence reducing the uncertainty facing the organisation), and developing a coherent strategy through the analysis of options.

In its most naive versions, prediction of the future seeks to buffer decision-makers within the organisation from the vagaries of the environment by providing them with an assumption of what it will be like. Whether this is in the form of a 'point' forecast – 'GDP will grow at 3.2 per cent' – or an 'interval'

forecast – ‘there is a 60 per cent chance that GDP will grow between 3.0 per cent and 3.4 per cent’ – the intent is to provide a reliable assumption upon which decisions can be based. However, a number of factors have served to reduce confidence in the predictability of environmental change and hence of this role for forecasting:

*The growth of discontinuity and surprise in the environment.* Some writers, particularly Ansoff in his later writings<sup>8</sup>, have argued that the major characteristic of the environment is the growing incidence of discontinuity and surprise. It is not always clear precisely what this means but, first, it may refer to events in which something happens that is by definition not a continuous variation of its not happening. So ‘war’ and ‘no war’ are discrete, discontinuous events. Second, there may be threshold effects in behaviour, as when continuous variation in inputs produces sudden change in output behaviour. Finally, the underlying pattern of relationships of input to output behaviour may suddenly change. It is conceptually very difficult to distinguish these three types of change but, in principle at least, they pose different problems for forecasting. It may be argued that many events are threshold effects, but others surely are the result of go/no-go decisions by major actors. The latter may include election outcomes or the subsequent political decisions of the elected government.

*Increasing complexity.* As relationships between variables in the organisation’s environment become more intricate, two major consequences follow. First, a wider range of factors has to be regarded as relevant to the company. Second, it becomes more difficult to trace and model the structure of relationships between factors. Clearly, forecasting then has to take into account future values of a wider range of variables and depends on modelling more extensive structures. For example, there is widespread recognition of the growing relative importance of socio-political variables compared with economic factors in determining the future conditions facing companies. Forecasting socio-political factors requires a different technical approach and data sources.<sup>9,10</sup>

*Quality of data input.* As the range of factors included in forecasting is extended, it is difficult to maintain the quality of data

sources which might be possible in a narrower and more well-tried domain. In particular, the more forecasting is driven to use data not derived from a company's own activities or market areas, the more it is dependent on ad hoc information or data produced by others for quite different purposes. It then becomes more difficult to guarantee the quality of the data, or even to estimate reliably how good or bad it is.

These are very orthodox and well-established suspicions about the emergent difficulties of forecasting, but they drive us to consider the role of forecasting if its reliability or quality is suspect.

The development of methods which provide a means of exploring the future rather than producing a specific prediction have become increasingly familiar. Methods of combining judgments as to future development (Delphi), or of tracing the interrelationship of future events (cross-impact matrices), or of analysing alternative configurations of future characteristics (scenarios) are now commonplace. But the important general issue is the adaptation of methods of prediction to the ways in which anticipation of the future is being used.

For instance, forecasting may be given responsibility as a general scanning device to search for and define changes in the environment which threaten or create opportunity for the organisation. In this role, forecasting would be involved in creating an agenda for concern and action within the company. Or, in relation to the longer term, forecasting may perform functions of what Cole calls 'informative speculation'<sup>11</sup> and may address itself to developing awareness or understanding of options. Whatever the specifics, the conventional assumptions about the role and practice of forecasting undoubtedly come under stress from more intractable or more complex environments. One facet of a concept of strategy for turbulent environments would be an approach to structuring uncertainty that goes beyond forecasting and stresses ways of coping with remaining uncertainties, rather than purporting to remove them through prediction.

Similar problems have appeared in the analysis of strategic options, though they need not detain us here. Corporate strategic analysis is concerned largely with the portfolio of products the company has or is developing, with the markets to which it

has access, and the basis of its competitiveness in existing and potential markets. What is important is how this portfolio hangs together now and in the future. Not surprisingly, the analytical methods which have been developed reflect the need to examine the qualities of the portfolio, usually by defining cells of a matrix and plotting the distribution of activities across them. For instance, the Boston Consulting Group (BCG) method<sup>12</sup> defines a  $2 \times 2$  matrix identifying different levels of market share against different rates of market growth. Or the more complex Directional Policy Matrix<sup>13</sup> identifies a  $3 \times 3$  matrix, taking as its dimensions the company's competitive capabilities and the prospects for sector profitability. Wensley<sup>14</sup> offers a number of criticisms of these methods which show up the difficulties of strategic analysis, particularly in poorly structured or complex environments. From him we may learn some lessons about the limitations of analysis that seeks to generate relatively simple prescriptive rules.

First, these methods are made obscure by using proxy variables for underlying, and more relevant, conditions. So, market share stands as an indicator of relative competitiveness in BCG, because it is backed by the presumption of an associated cost advantage based on an experience curve. Or again, BCG assumes the superiority of investment in high growth areas. This assumption should sometimes be amended by reference to the company's relative competitive skills and the competitors' response. If everybody invests in high growth areas, what competitive advantage does the firm have? If everybody is quitting low growth areas, are there not possibilities for competitive gain there?

Second, Wensley suggests that such methods are less than explicit about the real strategic criteria involved. For instance, if matrix methods suggest preferred investment in high growth areas, is it suggested that projects in such areas should be accepted, even if their present value on a discounted cash flow (DCF) calculation is low, simply because they are in high growth areas? In other words, is there a strategic criterion which should be followed even though it contradicts the DCF assessment? If the answer is no, then the approach is merely a prediction that projects in high growth areas will yield high present values, and adds nothing to DCF analysis. If the answer

is yes, then what is the nature and justification of this strategic criterion whose worth does not show up in the DCF assessment? The exploration of these indirect benefits is not well exposed by global (and empirically unsubstantiated) assumptions about the values of being in growing markets. It requires a more detailed and systematic assessment of competitive advantage. So, for instance, the impact of a project on barriers to entry, or barriers to mobility<sup>15</sup>, or in creating locational advantages which are options to undertake further profitable investment, might represent a strategic criterion of some value, but these effects would need to be analysed explicitly.

In a very important sense, these are not arguments against portfolio or matrix analysis, but rather against their mechanistic application. As diagnostic tools in skilled hands, they have been powerful. But the superficial gloss of analysis has equally often proved misleading if it is not filtered through the judgments of good managers. Once again, we have had to learn painfully the limitations of analysis in order to appreciate its real benefits as an aid.

What emerges is a picture in which the basis of strategic thinking, both in anticipating the future and in analysing options, is subject to intense debate and variety in practice. The sense of strategy as providing a framework for action within the organisation remains, but the means of achieving it are problematical. The traditional model of forecasting and choosing between options is simplistic in the face of uncertainty that does not yield to existing methods of prediction, and environmental complexity that is too great for existing methods of analysis. We must fall back on roles for forecasting which are exploratory and which help us to structure uncertainty, and on expectations of analysis as a diagnostic tool that assists judgment and in no sense replaces it.

If we add to this the observations of Mintzberg<sup>16</sup> and Rhenman<sup>17</sup> on the process of developing strategy, then we begin to approach a more realistic and managerially relevant sense of corporate strategy. Mintzberg's evidence points strongly to a process of strategy development which is intermittent, episodic and incident-based. Managers do not conceive of strategy either in '*a priori*' terms or as something which is developed systematically in the light of new opportunities.

Moreover, strategy does not arise merely from the reflections of 'top' managers. There is an upward flow of values and opportunities, and of perspectives on issues and problems, which substantially helps to form the strategy of the organisation. These observations push us towards the idea of strategy as a structuring force in the organisation, which defines what are relevant problems and how and by whom they are to be tackled. As Rumelt puts it: 'A principal function of strategy is to structure a situation to separate the important from the unimportant and to define the critical sub-problems to be dealt with'.<sup>18</sup>

However, in contrast to corporate priorities or product choices, this structuring of a situation cannot be expected to be accepted throughout the organisation merely by virtue of being stated. Whatever the corporate view about which problems are important, others in the organisation (subjected to different pressures and information) may dissent, in their behaviour if not explicitly. Indeed, it may be an important part of the organisation's dynamic that groups within it should be pursuing sectional goals, or should be responsive to particular local views of problems. So, a strategic *perspective* (and statements of strategy in which that is embodied from time to time) can be seen as being in continuing dialogue with forces within the organisation that reflect other pressures and express other concerns.

This concept of strategy as a structuring force within an organisation allows there to be less emphasis on definitive statements of strategy, justified in terms of some hallmark of analytical quality. Consequently, it offers some relief from the problems encountered by the more obsessive analytic approaches, in that the effectiveness of strategy does not then stand or fall by its prescriptive certainty in a turbulent world. However, it does lead us into other questions more concerned with process, such as:

How can we understand and improve that process of dialogue between strategy and other factors in the organisation?

What characteristics and means of expressing strategy enable it to contribute to effective dialogue?

These questions are overlaid by another element in the concept of strategy, stimulated by environmental turbulence, namely the

development of strategic management, with its emphasis on organisational capability and learning.

#### STRATEGIC MANAGEMENT, CAPABILITY AND LEARNING

While the pressures of turbulence and uncertainty lead away from reliance on naive analysis and toward more concern with strategic insight in guiding the organisation, this is very much a matter of moving along a spectrum of emphasis rather than a revolutionary shift. The idea of strategic management represents a much more radical adjustment in both the focus and style of strategic concerns. Once again Ansoff crops up as a major contributor.<sup>19</sup>

The central assumption of strategic management (in this sense) is that adaptation of the external linkages alone is inadequate for the strategic changes that are required to cope with turbulent environments. It is also necessary to make deliberate and planned changes in the internal capability of the organisation. In strategic planning the intention was to select products or markets to play to the organisation's strengths. In strategic management, those strengths (and weaknesses) of the organisation need to be transformed to expand the adaptive opportunities available to the organisation. Moreover, the transformation of external linkages and internal capabilities must be handled in tandem and congruently if the full effect is to be achieved. Environmental challenges that exceed evolving capability must be deferred or buffered until the requisite transformation in capability has taken place. But a continually lagging capability will limit the organisation's power to defer or buffer repeatedly and the organisation may experience constant disruption as a result. Planning finds a distinctive new role in the systematic transformation of both strategy and capability. It becomes bound up inextricably with the management of real change within the organisation rather than merely concerned with strategic picture painting.

The shift of planning from a preoccupation with strategic analysis to one with change and development within the organisation involves a leap in perspective. The practical implications of the gap between the two perspectives are illustrated in Goldstein's<sup>20</sup> distinction between 'resource-conversion planning' and 'system improvement planning'. 'Resource-conversion

planning' is 'concerned with ensuring that the primary task of an organisation will get done'. It is recognisable in terms of its major components which are forecasting, the formulation and implementation of objectives and strategies, resource planning, organisational design and organisational control. It is based in a philosophy which Goldstein calls 'planning by dominant coalition', to reflect its relation to the power structure of the organisation, and its foundation in a desire for organisational stability and consensus.

'System-improvement planning' on the other hand is concerned to ensure that the organisation and its systems, including planning, are continually being improved. It has two components – organisational learning and proactive learning. It admits of a variety of approaches to planning, being more concerned to focus learning and improvement than to conform to any abstract concept of what planning 'truly' is. Indeed planning itself is a major subject for learning and improvement.

Now the essence of Goldstein's argument is that, while both are necessary to effective organisational planning, the 'dominant coalition' philosophy, which underpins resource-conversion, is often antithetical to system-improvement planning. A commitment to improvement undermines the existing stability, and may be inconsistent with the analytical-intellectual models on which that sense of stability is based. There is, in short, an underlying tension between the philosophy and perspective of planning which seeks to bring order and structure through forecasting and strategic analysis, and that which seeks to improve the organisation's capacity to respond. This tension between analytical and developmental perspectives is a recurrent theme in this literature of alternative purposes of planning.

A similar contrast appears in Friedman's identification of alternative styles of planning.<sup>21</sup> He distinguishes *allocative* planning, in which the primary concern is determining patterns of resource use, *innovative* planning, where specific changes in system behaviour are being promoted, and *transactive* planning, where the determination of concerns and mutual learning between dissenting groups is the major focus. These three forms of planning are clearly appropriate to quite different assumptions about the organisation and its predicament – about the clarity and acceptability of its dominant values, about the



stability and analytic tractability of the environment, and so on. Equally, planning that conformed to one rather than another of these styles could be regarded as having a different role and purpose within the organisation.

The implications of transactive modes of planning for the organisations and individuals involved are discussed by Michael.<sup>22</sup> He identifies specifically the personal, interpersonal and organisational burdens of involvement in planning for change. So, for example, he cites among these personal and interpersonal burdens the need to live with uncertainty, the need to embrace the inevitability of error and to recognise the complexity of goal setting, the extent to which thinking about the future undermines the reassuring stability of existing beliefs, the intensification of role conflict and role ambiguity, and the increased emphasis upon interpersonal competence. All of these are stresses which fall upon those who are involved in planning for a changing social and political environment, particularly those who are themselves the point of interface between the organisation and its environment. A further significant area of contrast concerns the very essence of learning. While everyone believes in learning, its nature and its importance vary considerably from one approach to another. In analytic-strategic approaches, learning tends to consist of building better models or forecasts as experience unfolds. Learning in this case is relatively formal and analytical, and takes place largely *within* planning itself. Contributors who write more within the developmental tradition, tend instead to make the promotion of learning the central task of planning and to see the nature of learning as itself highly problematic. The title of Donald Michael's book – *On learning to plan and planning to learn* – is more than an effectively cute phrase. It emphasises the duality of planning and learning, and, by compressing the two components into one, the notion of learning systematically how to learn. Michael emphasises social and psychological dimensions of learning, individually and in groups, and the capabilities that are necessary to sustain effective learning. These themes are extended by Argyris and Schon<sup>23</sup> to explore the meaning of organisational learning.

## CONCLUSIONS

A brief review such as this can do no more than lightly sketch the range of ideas and perspectives which underlie a huge

arena of practice. For our purpose, the primary concern is an impressionistic one – what is the broad state of strategy and planning ideas in the private sector and how has this developed under the impact of environmental turbulence?

Without being too simplistic we may define five broad conclusions:

1 That the experience of the private sector yields no dominant model of planning and strategy. On the contrary, the basic concepts have been under stress and change in the corporate sector, giving rise to an interesting plurality of approach.

2 That, in particular, complex and unpredictable environments have undermined confidence in anyone's ability to forecast accurately and have shown up the frailties of some of the widely applied analytic tools. In turn, this has undermined traditional analytic-predictive concepts of strategy.

3 That there is increasing reliance on analysis and prediction as a means of supporting managerial judgment and debate, rather than characterising them as a precise, separate and perfectable form of management science.

4 That attention has moved towards considering the role of strategy in guiding and controlling the organisation and, in particular, the process of dialogue between strategic and other perspectives within the organisation.

5 That, most recently, a more radical challenge has come through the concept of strategic management and its concern with developing organisational capability. The emphasis on learning rather than definitive solutions to problems, and on alternative roles for planning in guiding and stimulating organisational change, reflects a greater appreciation of the nature of environments which are unpredictable, complex, and ridden by conflicts in values.

#### *Strategy in public service organisations*

If this is an accurate assessment of the evolution of concepts of strategy and planning in the corporate sector, under the stress of environmental turbulence, how, if at all, does it apply in the conditions we can expect in public service organisations?

To begin with we should consider the question whether the public sector environment is peculiarly turbulent, over and above that experienced by organisations in general. It is my impression from talking to managers in public service organisations that they commonly regard this as being the case. Both the uncertainty and the invasiveness of the environment are regarded as distinctively high due to the proximity and behaviour of the political system. This is usually an impressionistic judgment, based on little empirical evidence, and with scant recognition of the problem caused for both small and large companies by the shifts in market demand, the prolonged depression, the exchange rate variations and the massive changes in materials costs which have characterised Western economies in the 1970s and 1980s.

Perhaps the only purpose of comparing the degree of turbulence is to persuade managers of public service organisations that they are not hopelessly worse off than their counterparts in the private sector (who also experience the consequences of the political process!) and that it is worth analysing the environmental turbulence they actually face as a precursor to coping with it. There are undoubtedly distinctive characteristics of turbulence for public service organisations, which tend variously to increase or decrease the intractability of the managerial task. They can either amplify or limit the 'natural' uncertainty present in the environments of all organisations. Both types of factors are present. Whether the result is more or less turbulence is a less interesting (and important) question than the nature of the turbulence and its amenability to managerial response.

As an initial approach to a complex question, I suggest five particular dimensions of turbulence for organisations *within* the public sector.

#### THE STRUCTURE OF UNCERTAINTIES EXPERIENCED BY PUBLIC ORGANISATIONS AND BY MANAGERS WITHIN THEM

There are two commonly argued hypotheses under this heading:

- 1 That, particularly under governments of a conservative persuasion, restriction on the public sector is seen as a first and major response to economic problems, and that the public

sector consequently bears an undue share of any cutbacks required by social adaptation. Uncertainty and disruptions in society in general are hence amplified in their effects on the public sector.

2 That politics itself is a disruptive process for the systems under its care and is a source of uncertainty for those who operate within those systems. A number of characteristics of the political process are cited to support this hypothesis:

That governments experience a 'democratic imperative' to act in response to problems even where there is little evidence to suggest that action will resolve the problem.

That they act in an instrumental manner, seeking a policy lever to pull rather than appreciating the subtleties of change in a complex system.

That governments invariably respond to short-term pressures.

These tendencies to short-term, inappropriate and mechanistic action inevitably produce conflict between political and managerial perspectives. Those who manage complexity within public service organisations are confronted with frequent, arbitrary and simplistic interventions from politics which destabilise, rather than give structure to their world. This is not necessarily an argument about the incompetence of politics. It is more an assertion about the conflict of politics and management within the public sector, their differences in perspective, assumptions and understanding.

#### TURBULENCE CREATED BY THE PUBLIC SECTOR SYSTEM FOR ORGANISATIONS WITHIN IT

In the same way that politics can create turbulence for management, so may one public sector organisation create turbulence for another by its reaction to the uncertainties that both of them face. In this context we should recall that Emery and Trist's concept of turbulence is not merely about the extent of uncertainty, but about its unpredictable amplification by the field in which the organisation is lodged. It may be that this is a phenomenon which occurs particularly in public systems. Again a number of elements are involved:

1 The existence of conventions or procedures which, while designed to serve the purposes of organisation A, restrict or influence the responses of organisation B. In the British NHS, many accounting conventions and procedures exist concerning distinctions between revenue and capital or cash flow, or requirements for reporting, which inhibit rather than aid the flexibility of response of district health authorities. They exist primarily to meet governmental concerns about central accountability and control. At the same time the districts have great difficulty in developing systems for the management and control of their own activities.

2 An emphasis on defensive reactions by a particular organisation rather than on the needs of the whole system. The supposition is that, confronted with uncertainty, those organisations that have the power to pass uncertainty on to others tend to do so. There is substantial corroborating evidence in the relationship within the NHS between regions and districts. Regions have been known to press radical changes in resource allocation on to districts, in violation of previously agreed strategies, as a means of meeting their own resourcing targets. The problem of finding a coherent response within the new resource targets is also assumed to lie with districts.

3 The legacy of institutional rigidity. Britain, in general, is characterised by little lateral mobility between its institutions – government, industry, the public service and so on. Equally, within one area of activity, such as the NHS, professional boundaries are strong and limiting. These rigidities make more difficult Emery and Trist's remedy for turbulence, namely 'the emergence of values that have overriding significance for all members of the field'.

For reasons such as these, the nature of public sector organisations is seen to amplify uncertainty rather than to reduce or control it. Relative to the uncertainty facing the public sector system as a whole, the uncertainty facing one organisation within it is high. This, it is argued, would be a primary source of turbulence for public service organisations.

#### THE 'POOLING' OF RISK IN THE PUBLIC SECTOR

An argument analogous to that advanced in portfolio theory in financial management suggests that risks endured by the public

sector are lower than would be experienced by an individual organisation in isolation. Portfolio theory contends that, by holding a diversified portfolio, the risk applying to one's investment can be reduced to the level of 'systematic risk', namely that which affects all securities. If, as the old saying goes, 'what you gain on the swings you lose on the roundabouts', then the holding of the whole portfolio leaves no risk. But if there remain risks which affect all assets alike, then portfolio risk cannot be reduced below that level.

Though arguments about pooling of risk in the public sector have sometimes been rather casual, there may be a sense in which the risks of one public sector organisation are uncorrelated or negatively correlated with those of others. In that case, the risk of the sector as a whole is reduced. This idea of pooling may reflect a way in which the turbulence of the public sector is less than would be faced by less widely diversified systems.

#### LACK OF SANCTIONS

Managers in the private sector are likely to argue that the biggest difference between the two sectors is the lack of ultimate sanctions in the public sector. If management fails in the private sector, the company loses market share, makes losses and ultimately goes out of business. While the difference can be over-stated – for example managers are not necessarily more likely to be fired in the private sector – there is some truth in the observation that many public sector organisations are insulated from the sanctions imposed by market forces.

#### LIMITATIONS ON MANAGERIAL RESPONSES

On the other hand, much of this discussion suggests that one important characteristic of public service organisations is severe limitation on their field of responses. Particularly viewed from a managerial standpoint *within* an organisation *within* the public sector, the impression can be one of few feasible options to change or make progress. In comparison with the corporate world, this may be accentuated by the absence of a whole dimension of adaptability, namely that of market and product diversification. Since the adaptation of the company through diversification and product portfolio was such an important

feature of corporate strategy, it at least raises the issue of what is left when it is absent. So at least one dimension of perceived turbulence could be seen as an overload of uncertainty and stress on a very limited range of managerial responses, giving rise to an image of managers in a futile quest to square the circle.

In my view this is unduly pessimistic and I shall come on to discuss the potential of the managerial responses available to us shortly. For the moment my concern has been to offer some pegs on which our consideration of turbulence in public service organisations can be hung.

Apart from these characteristics of the public sector and their implications for the turbulence experienced by public service organisations, there are two other major differences from the corporate system we discussed in the first part. The first, mentioned above, is the absence of product or market diversification as a means of coping with uncertainty. For the corporate system the ability to adapt by moving out of inappropriate product areas and into those that offer greater profit potential, is a major strength and a fundamental plank of the concept of strategy. Without such adaptation, in what does strategy consist? Since it is clear that most public service organisations are firmly tied to a particular area of provision, it is to say the least a pertinent question.

It is made the more so by the second major difference, namely the absence of a flow of information about the consumption of the product and satisfaction with it which arises directly and automatically from its sale. The absence of a market intelligence leaves public service organisations with a profound gap in their evaluation and control of their activities, and in assessment of their own performance. These issues might otherwise have been an important alternative basis for strategy.

Against the background of such observations, it is unlikely that the inherited approach to strategy within the NHS will be very satisfactory. Traditionally the emphasis has been on incremental service strategies, in the form of desired configurations of services to be provided at some future point of time. Though a considerable effort is going into more sophisticated methods of predicting patient flows, a somewhat naive and empirically

unjustified norm of required beds per thousand population is then applied to calculate the target beds needed. But the principal objections to this 'picture-painting' approach are not technical:

It represents a primitive 'forecast and allocate' approach to strategy and planning, of the sort that has proved unsustainable in the corporate sector in a turbulent environment. With much less satisfactory information and analysis even than applied there, it is unlikely to be any more successful in the NHS.

It represents a target without any appraisal of the change necessary to its achievement. Where, for example, a substantial reduction in beds is targeted, how is this to be achieved? As the targets themselves become dominated by emergent resource constraints, the question of achievable change under resource stringency becomes critical.

Just as the corporate sector has had to adjust to the realisation that its forecasting ability and its strategic analysis is inadequate to hold a turbulent environment at bay, so must the NHS with its more naked exposure to environmental change because of the absence of opportunity for diversification. The concept of strategy must emphasise organisational capability and adaptiveness as a central feature.

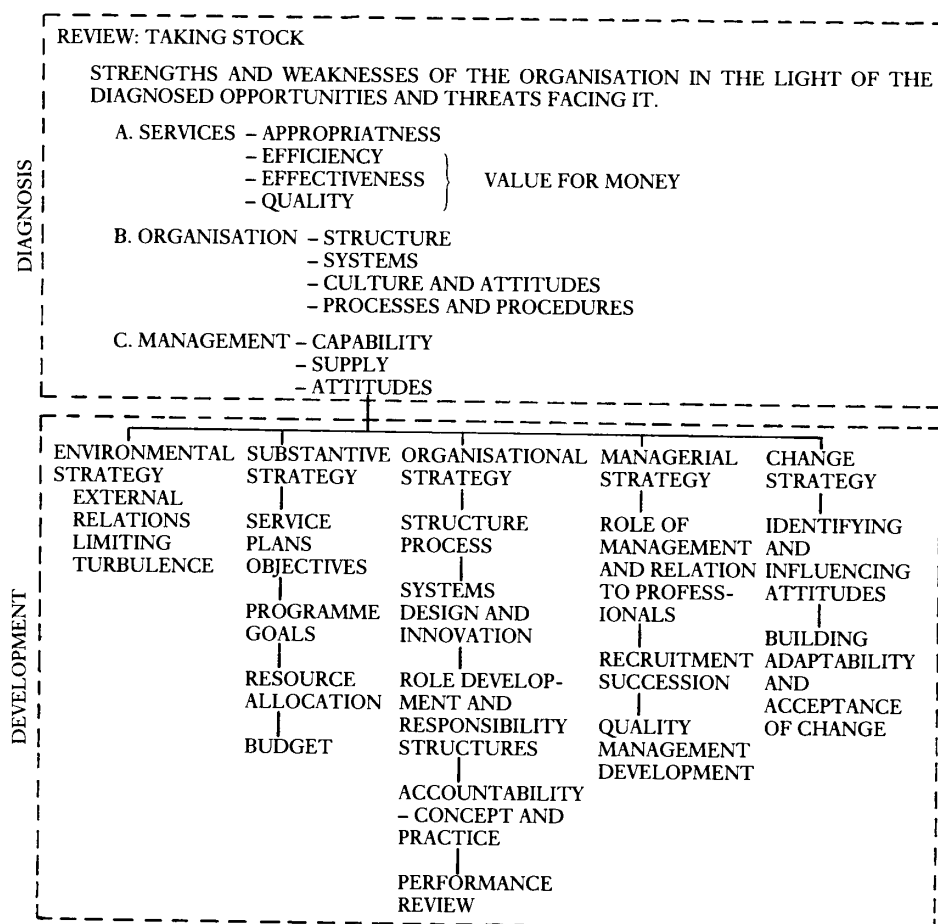
#### *A concept of strategic management*

For all of these reasons the concept of strategic management, with its close interrelationship between change in the organisation's substantive activities and its organisational capabilities, seems to be even more central to the needs of public service organisations than to those of the corporate system. This is manifestly so in the NHS where the magnitude of the changes which are being demanded of it – in its resource base, in the services it provides, in its managerial practice – contrast with the inertia and lack of capacity for purposive changes which seem to characterise it. We are at the early stages of developing a concept and practice of strategic management which will enable this gap to be bridged.



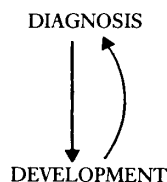
## STRATEGIC RESPONSE TO ENVIRONMENTAL TURBULENCE

Figure 1 The strands of strategic management



Once again as a means of fixing ideas, may I present a preliminary approach to strategic management.

It depends upon a continuous learning loop:



Within this broad framework we may recognise a number of strands or elements that need to be coordinated both diagnostically and developmentally. These are outlined in Figure 1.

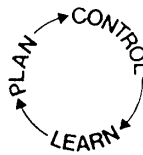
Now there is nothing in this scheme that is novel, except the commitment to coordinated development in response to systematic diagnosis as the basis of an organisation's strategy. The attempt to sustain that in practice will involve three further realisations:

1 The inability to manage all desirable developments concurrently. There must be priorities, but these in turn must:

a) relate back to the diagnosis of where change in capability will be most urgent or beneficial;

b) recognise the synergy between the several strands of development – for example, the mutual interdependence of innovation of systems and changes in attitudes and expectations.

2 The importance of learning and a continuous analysis (control) of the variance between expectation and outcome. This involves casting everything into the cycle of



and ensuring that the effective use of this cycle is a central part of the organisational culture.

3 The infrequency of the opportunity to make decisive change, and hence the importance of using such opportunities effectively. This gives rise to a concept of 'opportunistic strategy', which places great importance on the definition of strategic themes in a form which enables them to be pursued as opportunities arise.

More accurately, there is a need to define those development strands that can be pursued as a continuous programme and those that can be pursued only intermittently, when circumstances allow.

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## A POSTSCRIPT

by Robert Maxwell

THE theme of the Rennes conference was recent innovations in management thinking. I had suggested to the organising committee that Tom Evans be invited to speak on strategic management at the conference because I wanted a European audience (representing the main centres for health care management education and research) to be challenged by him. He consequently prepared the above paper, intending to do further work on its conclusion.

In the event I had to deliver the paper for him in Rennes. Rudolf Klein and he missed the flight (either because it was not announced or because they were talking so single-mindedly that they did not hear it called). I had a copy of the paper, but there had been little opportunity to discuss it with Tom. I did my best, deeply regretting that the audience was not exposed to his personal magic.

With virtually no explanation I had for the conclusion a two-part overhead slide from Tom. The first part is shown in the top half of figure 1.

This diagnostic approach of course represents a familiar audit concept, but with some differences. Usually the focus in strategic diagnosis in the private sector is on assessing *competi-*

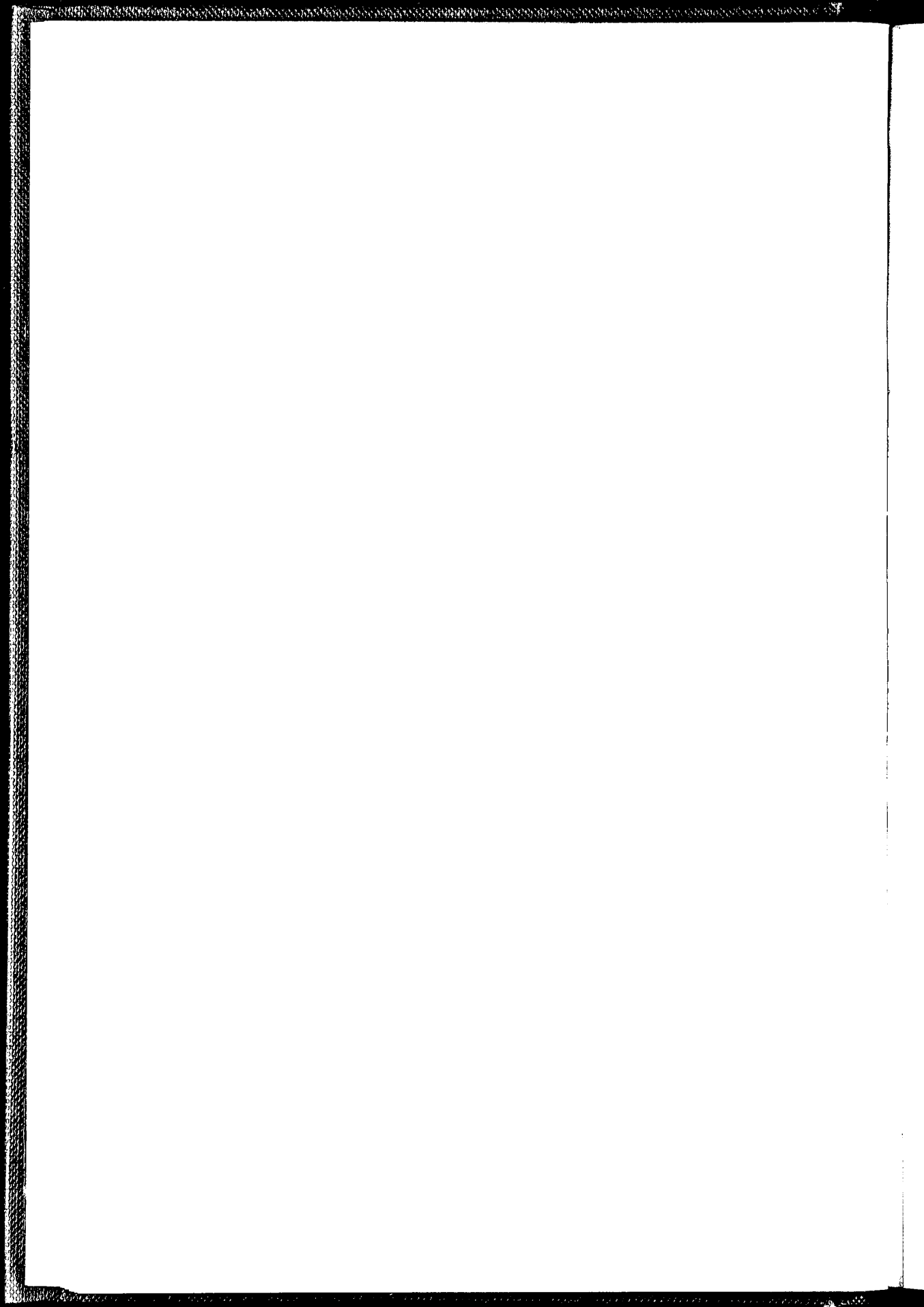
*tive* strengths and weaknesses in a changing environment. Here on the other hand there is no reference to competitors. Instead the performance of services has to be considered relative to standards of appropriateness, efficiency, value for money and so on. In other words, public services usually are in the position of a dominant or monopoly supplier, and must stand the test not merely of what similar organisations achieve, but of what *ought to be achievable*. Secondly, there is more emphasis than in the traditional environmental assessment on internal capability – whether the organisation and management are well matched to environmental opportunities and threats. Once again the test is not competition, but need.

The second part of Tom's overhead was the lower half of figure 1, focussing on development.

What Tom was trying to show here was that it is necessary for a strategy to encompass a variety of strands. Traditionally, health services have only considered the substantive strategy; the strategy towards the environment has not been thought through nor the internal capabilities of the organisation required to achieve new substantive strategies. Tom emphasised the need for all these strands to 'add up' for the whole organisation to develop.

The left-hand side (the first two columns) is relatively straightforward, concentrating on formulating a strategy relevant to a turbulent environment. Private sector organisations live and die according to their strengths and weaknesses in doing just this. Columns three and four pursue the organisational and managerial consequences of change: what structures, processes and leadership are required to pursue the chosen strategy or strategies? The final column is the most interesting and original of the five: how can one develop an organisation that will continue to adapt and evolve?

We pursued this last theme in a King's Fund international seminar in Canberra, Australia, which Tom helped to plan and hoped to attend, but did not live to see. For me this view of developing organisations continues to be a most exciting concept and aspiration – in effect the Darwinian hypothesis in prospect, rather than retrospect. If mankind avoids world destruction, then the future lies with groups and organisations that learn to maximise the opportunities for individual creativity and adaptation in a turbulent world.



ROBIN WENSLEY

# The nature of strategy in organisations

This paper has benefited considerably from useful comments from a number of colleagues, particularly Nick Woodward and Barbara Stocking.

The following paper owes much to discussions with Tom Evans over the years. It is ironic that we often talked about putting in writing some of the ideas used in our postgraduate elective course on themes in comparative management, but never made more progress than a series of rough notes. The course itself was designed to address some common issues that emerged in management in both the public and private sector. It started from the premise that whilst management techniques are reasonably effective at handling issues of economic efficiency in the private sector, it is in the public sector that the problems inherent in managing value trading and issues of wider social concern, are better recognised. Tom and I taught such a course using a number of case studies over a five-year period which finished with his contributions to the course in the winter of 1985. Despite the fact that by then he was well aware of the sad prognosis for his illness, he remained an extremely active and stimulating colleague.

I have tried to bring together the main themes that underlay the basic structure and design of the course and I hope this is done in a way which communicates the underlying approach. The paper inevitably lacks two essential inputs from Tom himself. First it does not convey the interest, commitment and excitement that he brought to the teaching sessions when we discussed the issues that are covered in the paper using case studies. Second, it has not benefited from his constructive criticisms of the prose and the nature of the argument. Despite these limitations I hope it will convey some of the flavour of what was at least for me, as one of the instructors, an exciting and stimulating course.

Robin Wensley



MUCH discussion in the published literature on complex organisations implies a need for strategy or strategies at the organisational level. This belief in conscious organisational strategy is found in management text books, consultancy reports, and many management position papers themselves. It is also, perhaps not surprisingly, to be found in many white and green papers as well as both official and unofficial reports, often relatively uncomplimentary, on the performance and prospects of organisations in the public sector. This paper explores this juxtaposition of two relatively ill-defined terms – 'strategy' and 'organisations'. The resulting confusion in the minds of practising managers often hinders rather than aids constituent groups within the organisation in their attempts at developing an effective and appropriate response to the demands of a changing environment. In focussing on the dilemmas and problems of management within organisations we can attempt to re-define the notion of strategy.

The idea of organisational strategy as a rational process proves to be complex and confusing in practice. This is hardly surprising. Not only are there severe definitional problems but this notion also implies that an aggregation of different actions taken by different managerial groups at different times will accord with one single and exclusive logical scheme. It may be convenient for outsiders, who represent other vested interests, to characterise any complex organisation in either the public or private sector, as having such a strategy; yet this notion of purposive strategy becomes a fiction for those who have to manage within the enterprise itself. For these practical managers, the major concerns are about the organisational domain and the use of rational strategic analysis as well as the role of managers themselves. If we recast the problems in terms of these dimensions, we are better able to give useful advice to the strategic manager and more likely to understand how the notion of organisational strategy needs to be developed.

### *Management of strategy in organisations?*

It has been commonplace to consider the management of strategy within organisations as a key managerial function. Indeed writers such as Ansoff, Declerck and Hayes<sup>1</sup> argued

that such 'strategic management' was possibly the key function. However, such assertions mask considerable definitional and practical problems.

#### WHAT IS STRATEGY?

Part of the confusion concerning the nature of strategy arises out of the way in which it is used within the English language now. The word 'strategy' is derived from the Greek and is roughly translated as 'art of the general (or commander in chief)'. Thus, strategy originally referred to the skills and decisions of the general, although, apparently the Greeks did not seem to worry much about 'decision making' as such and were more concerned about legitimacy and hierarchy. In older usage, there also existed another term, 'strategem' which translated as 'an operation or act of generalship' referring directly to a specific action taken by the general. Over time, however, the term strategem has been used solely to connote an artifice or trick and 'strategy' itself now has a dual connotation. It is both the art itself and the specific product of practising the art. Further confusion is introduced when evidence of a strategy is presumed in the existence of some form of document or plan. A plan then is seen as an act of strategy or a strategem. From this analysis, two key problems can be identified:

- 1 There is a tendency to focus on literal forms, particularly expressed plans and statements. Acts of strategy which are not formally represented are relatively undervalued in many rationalistic discussions. A basic tenet of this paper, as indeed some of the recent writings in the area of organisational culture, is that much effective strategic action is found in managerial interactions which occur neither within the conventional planning system nor in written form.

- 2 The purpose of strategy is often assumed to be concerned with the reduction of uncertainty. But if the need for strategy revolves around situations in which there is a considerable degree of irreducible uncertainty<sup>2</sup> then the very process of 'being strategic' should impose considerable discomfiture in that it repeatedly calls for facing up to the uncertainties of a specific situation. The extent to which such uncertainties are reduced by a planning system identifies the extent to which

planning is used as a mode of avoiding the essential nature of the problem rather than confronting it.

#### WHAT IS AN ORGANISATION?

At first sight the abundance of organisations would suggest that there is no problem of definition. However, many students of organisations have noted that one common definition of an organisation's boundaries, the nature of the legal entity, is not useful in defining the span of the organisation's domain in areas such as marketing, purchasing, social belonging, professional identity or external agency. The 'organisation' seems to extend beyond the legal bounds. On the other hand, internally, many organisations adopt pseudo-market principles such as transfer pricing and profit reporting, to govern transactions *within* the legal limits of the organisation. No wonder that some commentators have concluded that one can only explain the development of organisations as an essentially chaotic process:

From this point of view, an organisation is a collection of choices looking for problems . . . solutions looking for issues to which they might be the answer, and decision-makers looking for work.<sup>3</sup>

Even without becoming so extreme, we need to recognise that most organisations have both diffuse boundaries and, partly as a result of complexity and decentralisation, only partly defined system objectives:

Whenever decision making is decentralised, within either a market or an administrative system, the compatibility between decentralised decision and system objectives is inevitably an issue.<sup>4</sup>

#### WHAT IS MANAGEMENT?

In popular usage, 'managing' has always had a dual and contradictory meaning. One side of this is the directive, authoritarian view of management, the other is that of coping, keeping things going. In much the same way Dennis Pym has drawn our attention recently to the distinction between the entrepreneur and the bricoleur.<sup>5</sup> One minute the manager is in total command, the next he or she is patching up the system.

Indeed Woodward<sup>6</sup> has gone further and suggested that there is a danger of drawing a false distinction between manage-

ment and other activities of any organisation. Woodward suggests that management may indeed be an integral part of each individual's activities rather than a separable activity.

*The major issues for managers*

Having recognised some of the problems with the related notions of strategy, organisation and management, we can return to the issues of central concern to managers in the practical application of strategy to organisations: the issues of domain, the use of analysis and the role of managers.

*The organisational domain* is the context in which the organisation and its managers operate. Questions of domain can therefore be posed in terms of the proper sphere of interest and sets of problems for the organisation. Or, if we are more interested in evolving organisational types, the question may concern the types of organisation and remits that they should have in order to address particular problems. In general, we can define a basic spectrum of types from the pure market domain at one end to the pure politics domain at the other. The basic market/political spectrum therefore helps us to identify two polar models of domain which can be used to clarify the differences in policy stresses experienced by managers in differing organisations. Of course, though, in practice any manager finds himself operating to some extent in a mixed domain.

*The market model* of the organisational domain provides a basis for various important simplifications of the managerial task. The model has a simple objective for the organisation derived from the principle of property rights. It also provides, at least in its simple-minded manifestation, simplification of the issues of organisational interdependence by using external or market signals as the single mechanism for aggregating the net effects of such interdependencies. Finally there are limited and identifiable externalities which can be handled by a relatively simple regulation at the public policy level.

The net effect of the market model of the domain is that the managerial task can be dramatically simplified to one of pursu-

ing a well defined objective function, based on interpretation and response to market signals, within a regulatory framework. Such simplification however, is only as good as the model of the organisational domain on which it is based. In practice managers within such organisations, even within the private sector, find that the underlying assumptions are not accepted by all parties:

1 Some see the company as a complex social infrastructure which has a complex set of externalities and is seen as a social as well as economic instrument. Currently the most obvious illustration of this problem occurs in the debate about the nature and role of regulatory agencies for privatised public corporations, such as Oftel.<sup>7</sup> Another example of the social role of commercial organisations, as Lindholm has pointed out, is in the wider social debate about the distribution of economic rewards.<sup>8</sup> As the supposed generator of wealth, the commercial organisation often claims a dominant role in determining the subsequent distribution of the wealth concerned.

2 The notion of property rights as the dominant principle, particularly in the context of the limited liability commercial undertaking, is subject to challenge.

3 Accepting the property rights argument there remain agency problems in terms of accountability and control between the owners and managers of the enterprise. For the individual manager issues of legitimacy and accountability can be very real, particularly in areas where individual ethics arise; for example issues such as 'sanctions busting' in Rhodesia, 'black employment' in South Africa, and 'pharmaceutical sales' in the third world.

*The political model* of the domain alternatively focusses on such issues as accountability, the political process of determination of policy, the nature and resolution of value conflict, and explicit consideration of issues of social welfare. An organisation operating in such a domain has to encompass a much wider set of issues in determining its policy and strategy. In addition

managers within such organisations find that they face a number of other critical concerns:

1 Are the political decisions always right? The result of some sort of voting procedure, although a reasonably effective way of reaching a decision, inevitably raises directly both issues of the legitimacy of the voting members and issues of the relevance of their expertise and/or representativeness.

2 What criteria of effectiveness can be used? Whilst in principle it should be possible to define criteria for effectiveness that are consistent with the objectives and values emerging out of a particular political process, in practice there is often severe confusion as to the ways in which the effectiveness of any particular action should be measured.

3 What should be the role of the professional officers with respect to lay politicians in public sector organisations? Unfortunately, many management decisions have to be made in situations in which a combination of professional expertise and political nous are required. The separation of these abilities between officers and lay politicians often turns out to be impractical in specific decisions.

4 How is equity to be defined? Equity is often an ill-defined and intractable concept. This means that debates about 'equity' and 'justice' result in stereotyping and sloganeering; hence the terms themselves are devalued.

5 How can conflicting values be reconciled? Pluralism implies legitimacy for alternative value positions in any particular decision. The distinction between conflicting values, which are often implicit, and alternative forms of evaluation is therefore often confused.

The net effect of these problems is that there is no possibility of developing a pure analytic decision model to aid managers. This focusses attention on our second key concern: the use of analysis.

#### THE USE OF ANALYSIS

As suggested above, much managerial activity presupposes, explicitly or implicitly, beliefs about appropriate methods and

roles for analysis in different contexts. Despite strenuous attempts to claim an objective status for particular forms of analysis in the policy area,<sup>9</sup> it has been widely recognised that an act of analysis cannot be isolated from the political framework.<sup>10,8,11</sup> Social and political issues intrude, particularly in the public sector. Here, problems of measurements and 'social' output, of performance against multiple objectives, and of total system effectiveness all imply value assumptions. Yet even within the private sector debates about prosaic issues such as accounting systems involve assumptions about the significance of the differing stakeholders within the firm.<sup>12</sup>

Lindholm<sup>8</sup> has argued that the analyst may be reduced to the mere role of supporting actor for one particular vested interest. Others have argued that the analyst can still retain the role analogous to that of the clinical analyst in psychiatry, aiding the 'client' to become more effective in terms of the wider social interest.<sup>13</sup> The role of analysis and its own legitimacy, however, are inevitably issues raised within any political model. The question of effectiveness criteria about which there is much debate is, of course, also directly related to such issues above analysis. Finally, pluralism raises substantial problems in terms of legitimacy of various contradictory forms of analysis and the resultant attempts to develop a process of comparison between them.

The development, however, of a workable mixed analytical model implies an ability to interrelate the results from various forms of analysis based on differing and often conflicting frameworks. Such a problem is directly analogous to the problems in developing a synthetic analytical approach to long range forecasting.<sup>14</sup>

#### THE ROLE OF MANAGERS

The manager is part of the organisation. This participation therefore raises questions of legitimacy and of authority. From the manager's perspective there are issues of political control, the nature of professional allegiances, and the extent to which certain strategic options are not feasible because of institutional constraints.

The fact that the domain within which any organisation operates is itself subject to changing assumptions and pressures,

also implies that those who find themselves responsible for managing the various activities which span organisational boundaries, find that the assumptions under which they operate are themselves subject to change, often in an unexpected and confusing manner. An effective manager in such situations needs not only to have an appreciation of the wider range of issues involved, but also the skills and strategies necessary to cope effectively in such an environment. Managers have to recognise that there are both professional and individual facets to their role; which means that they find themselves coping with the interaction between their role as member (as a legitimate single vote in determining issues of political substance), agent (as the person formally designated to represent the interests of others) and person. This view of the complexities, but at the same time autonomy, of the managerial task poses significant questions both in terms of individual managerial legitimacy and also the nature of organisational constraints.

The issue of the legitimacy of managerial intervention and the range of discretion that managers carry in practice is a live issue in the NHS. We should not underestimate the extent to which the open debate in the NHS reflects concerns which echo managerial rights and responsibilities within any complex professional and social organisation. For managers themselves, other issues include the forms of analytical evaluation that they should encourage, the nature and choice of interventions and their personal responsibility for their own actions.

#### *Practical advice for strategic managers*

On the basis of these major concerns we can develop some practical advice for strategic managers as well as on approaches to further development in our understanding of organisational strategy. The following points suggest ways in which managers can attempt to cope with the complexity of large organisations, rather than become overwhelmed by it, through focussing on procedures, simplicity and coherence.

#### PROCEDURES NOT SOLUTIONS

It has been widely recognised that a well-specified set of procedural rules can generate a wide range of outcomes, even if the



rules themselves are relatively simple.<sup>15</sup> The analogy in complex organisation would seem obvious. If a set of procedures are followed then one can have some confidence in the resultant solution even if, *ex ante*, one had little information available with which to define a particular answer.

However, by intention, we cannot expect to arrive consistently at, *ex post*, our most desired *ex ante* decision. The very nature of the process means that we can have *some*, rather than total confidence in the result. Indeed the very legitimacy of alternative perspectives often embodied in the process itself means that the conclusion will be some form of compromise. Secondly, the nature of a 'well-specified' set of procedural rules is itself critical. The development of such a set of rules is itself a process of testing and learning.

#### SIMPLICITY RATHER THAN COMPLEXITY

Many of the problems of organisational strategy have been represented as the problems inherent in a highly complex optimising structure. A more tractable approach would involve considering the options in terms of simplifying or decomposing the complex problem itself.<sup>16</sup> It is often the method of decomposition that is the crucial strategic variable rather than the complexity itself.

As Rumelt has argued, in private sector based strategy analysis it is not the issue of simplicity which is a limitation but the question as to how far the analysis itself focusses on critical as opposed to trivial dimensions.<sup>17</sup>

#### COHERENCE AND IDENTITY

Another underlying concept in the notion of an organisation is a sense of coherence between the actions of the various parts of the organisation itself. This sense of coherence can be characterised as the identity of the organisation itself. A key issue therefore for managers is the nature of this identity and their ability to influence it. With current concern about organisational culture, the management and maintenance of organisational identity has attracted widespread attention. For managers we can identify two issues. First, we all recognise that we are actually more likely to be judged by what we do rather

than by what we say. As Richard Pascale<sup>18</sup> points out, people know very well what memos are put to the top of the pile and which get left to gather dust, despite (or indeed because of) corporate management edicts about priorities. Second, as suggested already, managers cannot realistically perceive themselves as the sole group involved in the maintenance of organisational identity; and it is much more important therefore to recognise the domain of legitimate activity and ensure a degree of coherence between actions within this domain.

### *Emerging issues in organisational strategy*

The set of problems faced by managers who attempt to behave in a strategic fashion can be directly linked to a number of emerging concerns about strategy at the organisational level. The 'rationalistic' model of strategy was predicated on a notion of the organisation as a machine. However, with recognition of the ineffectiveness of machines in coping with diversity, there has also been recognition that a more appropriate model of organisations will have to draw on analogies, particularly in the biological sciences, related to the behaviour of autonomous sub-systems within larger systems.

### THE MANAGEMENT OF DIVERSITY

Many private and public sector organisations continue to worry about the degree of innovativeness of the organisation itself and its constituent parts. This has led to the current vogue within the private sector of 'intrapreneurship' (the encouragement of entrepreneurial activities *within* a firm). A more comprehensive and thorough investigation into the problems of the management of diversity will need to consider not only the encouragement of individual risk-taking behaviour at management level, but also the issue of the degree of local autonomy provided to managers to aid them in ensuring the local responsiveness of their unit. Such autonomy will have to include a degree of flexibility in organisational design at the local level itself.<sup>19</sup> A further issue, only recently recognised in the private sector, and still treated in an *ad hoc* manner, revolves around the nature of equity, the distribution of risks and rewards, and the overall issue of individual remuneration.

SYSTEMS AND SUB-SYSTEMS

At various stages in this paper it has been suggested that the 'mechanical' model of the fixed organisational entity proves misleading when considering issues of organisational strategy and evolution. A more appropriate model is that to be found in the biological sciences where interrelated sub-systems remain autonomous and self-organising. Jantsch,<sup>20</sup> for instance, argues that we should consider:

The typical self-organisation dynamics of coherent systems which evolve through a sequence of structures and maintain their integrity as a system.

He also gives an everyday example to show how we can be misled by appearances into believing that simple order is the only order and that turbulence and change are by definition unordered:

From everyday experience we know what happens if we open a water tap. At first the water jet is smooth, perfectly round and transparent; the physicist calls this laminar flow, but if we open the tap further and thereby increase the water pressure, this image changes abruptly at a certain point. The water jet forms strands and presents itself in a dynamic structure which somehow conveys the impression of being 'muscular'. This is the typical appearance of turbulent flow which remains unchanged for a while and, if the tap is opened ever wider, changes over abruptly to other similar structures. The beautiful regularity of the laminar jet, which almost seems to stand still, is destroyed and disorder seems to rule. But appearances betray truth, it is precisely in turbulent flow that a higher degree of order rules. Whereas in laminar flow the movement of individual water molecules follow a random statistical law, turbulent flow groups them together with powerful streams which, in their overall effect, permit an increase of through flow.

We remain a long way from understanding how these analogies can be applied to the problems of organisational strategy. After all it is twenty-five years since the initial attempts to apply the 'open systems models' to organisations.<sup>21</sup> Such models have focussed on the relationship between the organisation and the environment. If may be, however, that this approach was really addressing the wrong problem in presuming the organisation as the sole level of analysis. It is clear that the

emerging focus on both systems and sub-systems as inter-related but different levels of analysis will pose a series of fruitful questions which should allow us to address more directly some of the problems of managing diverse and evolving organisations.

#### ETHICS AND THE ORGANISATIONAL DOMAIN

Finally, if we consider the relationships between the various sub-systems, and some of the questions raised in this paper, particularly about issues of morality, values and ethics, we might do well to consider an historical tale of the influence of changing social structures on perceptions of morality:

Culture orientates people. As a shared system and meaning embodied in symbols, culture provides the categories and models human beings use to take their bearings and steer through the exigencies of social and economic life. Where these exigencies themselves are changing rapidly, such bearings take on significant causal force.

The following investigation starts from a cultural puzzle: the rehabilitation of the devil's techniques. Innovation, calculation, and the seizure of profitable opportunities presented by another person's weakness have long been condemned by the Church as damnable and regarded by the British élite as contemptible. English drama from the medieval through the mid-renaissance periods portrayed the prevalent, theological and social disdain for entrepreneurs bent on the pursuit of money. But these very economic activities, the devil's techniques, became admirable on the Jacobean London stage. In a remarkable cultural somersault, that which earlier drama had condemned as vicious, was now being offered as practical instruction to the ambitious young men who attended the theatres.<sup>22</sup>

Hence, in terms of this paper, the organisational domain and its underlying value consensus can change rapidly and radically.

Unfortunately, for many managers within organisations, the definition of their role responds slowly to any such changes. They therefore experience, individually, pressures and problems which are more appropriately handled at the collective and organisational level. In practice, therefore, the key issue in practical strategy or organisations appears as one of developing fora in which such pressures can be discussed, assessed and acted upon.

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GREG PARSTON

# Managing strategies

Working on ideas with Tom Evans was both a pain and a joy: a pain because he made me struggle and a joy because he helped me to discover. But that work was not only an intellectual exercise. There were other people – some more experienced, and many more thoughtful than me – with whom Tom worked more often to develop new ideas. A good part of his work with me was to develop me, to help me move from a disciplinary grounding in strategic planning to a broader understanding of strategic management. Indeed, Tom gave me a copy of Ansoff's similarly titled work – 'From strategic planning to strategic management' – as one of our first subjects for serious discussion and debate.<sup>1</sup>

The resulting personal lessons are related both to ideas and to the practice of management development at the King's Fund College. Among the ideas which emerged most strongly for me is one that has to do with the plurality of strategies in organisations. That is an idea that several of us at the College continue to explore and to expand upon.

With regard to practice, though, Tom's encouragement of colleagues was not just a friendly act, but a measure of his role as a strategic manager who recognised the importance of developing his own organisation's capacities and capabilities. These two lessons – about strategies and capabilities – are closely related and represent part of my now broader understanding that managers must use planning to learn in order to manage strategies well.

Greg Parston



### *A new form of strategy*

THERE is the view – now more current than emerging – that we have been using the wrong conception of strategy. Part of the general malaise from which British management recently has found itself suffering has stemmed from managers who have attempted – quixotically at best – to master the uncertainty around them. Their strategies have been master plans; they have been definite, convergent and linear and frequently have emerged from task-orientated planning activities which were regarded as something separate from the management process itself. Unfortunately, uncertainty would not submit and the managers and the organisations with this form of strategy generally suffered.

The new conception of strategy parallels in many ways the change in management language (and, presumably, the change in management thinking) of which Charles Handy writes – from the macho-heroics of controlled, logical mechanics to the soft systems of networks, shared values, culture and politics. Today's strategy is more explorative than definite, more developmental than convergent, more evolutionary than linear. It is more about 'mediating forces'<sup>2</sup> and guiding 'frameworks'<sup>3</sup> than about predetermined plans of action. It is more about negotiating *in* uncertainty than about trying to control uncertainty. It is a recognition that uncertainty always wins and managers can only satisfy.

Tom studied and advocated this shift in thinking, advancing the idea of 'strategy as a structuring force in the organisation, which defines what are the relevant problems and how and by whom they are to be tackled' (see page 42). Like others, he saw the need for this new form of strategy arising from the increasing uncertainty and the accelerating pace of change in the environment. The dynamic turbulent field that Emery and Trist had described some years before has made nonsense of the prescribed goals and actions associated with the definite and linear, older form of strategy. A new form of strategy is needed, a form that recognises the inevitability and force of environmental uncertainty and that attempts, in spite of it, to guide organisational and managerial behaviour to some advantage.

Strategy, then, is about managing; problem-definition, priority-setting and network-building are now the valued responsibilities of the new soft-system strategists/general managers, and their strategies should comprise guidelines or frameworks for exercising those responsibilities.

### *Managing strategies*

Like the new language, the new form of strategy seems intuitively to be the right form. But is it? The fit of a strategy depends upon a number of factors. Environment is one of them; so is leadership and so too is time. Environment, leadership and time all seem to be demanding the new form of strategy, at least it would appear so from those organisations and managers who are the current fashion of much managerial study. The many recent accounts of general managers and of 'excellent' corporations cast new light on our understanding of what successful top managers do to regulate organisational processes and to mediate between their organisations and the turbulent environment. But the popular literature's fixation on top managers and on their corporate strategies has some danger of blinding us with its light. The glib arguments in favour of the new form of strategy as something more appropriate than the old may imply that there is a 'correct' form, and that would be wrong, for a couple of reasons at least.

First, there is no strategy or form of strategy that fits all organisations. Mintzberg and Waters'<sup>4</sup> studies of organisational strategy and management behaviour show that there are in practice today many different forms of strategy. They classify the strategies which they have observed into several types, from the old, more 'deliberate' planned strategy to more 'emergent' new forms, such as process strategy and the continually-adjusting consensus strategy. Different organisations employ different types of strategy quite successfully, depending upon the nature of their environments, their abilities to control external events, the particular time in the history of the organisation or in the life cycle of its products, the need for organisational stability, and a host of other factors which influence strategy and performance. So, while the new form of strategy does fit some organisations and some top managers, it does not

fit others. Indeed, in some cases, strategy remains a master plan.

Second, and more important, organisations and managers do not have a single strategy. They have many strategies. The top manager may indeed have a vision about where the organisation is going as part of a grand strategy, but there are more strategies, more frameworks, other plans at work, both at the top management level and within other parts of the organisation. Sometimes these various strategies complement each other. Tom's suggestion that strategy has several strands – for example, related to finance and to organisational process, as well as to substantive issues – is a recognition of that (see page 53). Sometimes strategies are nested within the organisation, as Johnson and Scholes'<sup>5</sup> examination of the relationships among corporate, competitive and operational strategies shows. In their definitions, operational strategy helps the organisation function toward achievement of desired (competitive) market position, in the business to which the organisation is corporately directed. Strategies inform and affect each other in this framework. But strategies within an organisation may not be so harmonious. They can also be in conflict, as when clinical professionals in the health service intend and sometimes realise objectives which negate or disadvantage some of their managers' intentions. These can range from deliberate plans to overspend, for example, to political action to counter long-term service reconfigurations. Both examples happen.

An important if obvious point that can get lost in the argument about the need for a new form of strategy, then, is that organisations and individual managers have and experience several strategies, probably of different forms, at any one time. The strategic manager manages many strategies, some deliberate, others emergent, some old form, others new. There may well be the grand strategy; there may be what Mintzberg and Waters call the umbrella strategy, which simultaneously constrains and encourages other strategies.<sup>4</sup> But it is the coexistence and interplay between strategies that is the immediate reality for the organisation as a 'negotiated order'<sup>6</sup> and for the many managers within it. It is how operational strategy forwards or retards corporate strategy, for example, or how financial strategy complements or contradicts service strategy that is at

the crux of organisational life. A difficulty we can get into by arguing too single-mindedly for *the* new soft strategy for top managers is that we ignore the plurality and heterogeneity of strategies within the organisation.

*Capabilities in dealing with turbulence*

The term 'turbulence' has come into common usage in management, not only in the academic literature but as a real practical understanding of the influence of uncontrollable events on organisational behaviour. It is not just about factors external to the organisation, however. Ansoff<sup>7</sup> defines the level of turbulence facing an organisation as the state of knowledge that the organisation has when it must start responding to environmental change. It is both an indication of the rapidity and strength of uncontrollable events and a measure of the organisation's ability to respond knowledgeably to those events.

In a recent King's Fund international seminar on managers as strategists, this point was underscored.<sup>8</sup> Managers in some health systems worked for highly bureaucratised organisations which experience less rapid and less intense patterns of change than others. Yet those managers frequently found their more rigid organisational constraints – for example, inability to alter structure without central approval – seriously hampered their ability to respond effectively to the external events that did occur. While external change heightened some managers' turbulence, the lack of internal capability had a very similar effect on others.

Insofar as strategy aids managers in dealing with turbulence, then, it needs to be concerned with both the external and the internal environments of the organisation. Ignoring one can increase the turbulent effects of the other. That is why developing a constructive interplay between strategies within the organisation is important. That involves a concern for the relationships between strategies, for their complementarities and their conflicts. It also involves purposive and deliberate development of the capabilities of managers within the organisation to understand and to engage in a number of different strategies at the same time.

In that context, an organisation's strategy for enhancing

management performance cannot free-float. Clearly development of future managerial capabilities should be linked to the achievement of corporate intentions and to the expected behaviour of managers. This is an important component of what Tom labelled the managerial strand of strategy. It may be terribly wasteful to send fledgling managers on training courses in the hope of their own personal development, for example, if what they gain are skills or knowledge in areas which seem to have little to do with the business in which the organisation operates. Yet that is done all too frequently and – worse – unconsciously, as Hussey's study<sup>9</sup> of the relationships between management training and corporate strategy in several British companies clearly illustrates. At the same time, though, strategy for management education should be able to be explorative, developmental and evolutionary in its own right, and not only to be subservient to organisational goals. It should consciously enable new skills and unexpected knowledge to influence the direction of other strategies and even to challenge the basis of the organisation's intentions.

Managing this kind of tension within and between the various strategies is crucial to the development of internal capabilities. Setting priorities, making choices and clustering people around relevant problems (rather than within organisational structures) are important to the process in managing multiple strategies and, in the end, to getting current jobs done. But these activities also are related to getting people of the organisation better equipped to deal knowledgeably with their jobs in the future. Using people's current work as a basis for learning and development is an important element of strategic management. In developing capability today, the manager is attempting to reduce turbulence tomorrow. Sometimes that can involve making the choice of not getting today's job done as effectively as some might want, because development involves learning and that involves experience and failure and time. That too is what managing the interplay of strategies is largely about.

### *The weakening link to planning*

Now, neither the notion of multiple strategies nor the recognised need for developing internal capabilities is terribly new.

Sometimes managers slip; they forget about one or the other and they end up further disturbing someone else's turbulent environments or their own. For the most part, however, the new breeds of hero-inspired (if not macho) general managers, with their new forms of strategy – searching for excellence for all – at least seem to have the language right. Unfortunately, their ways of doing strategic planning and analysis – which until now have been oriented towards giving managers the optimal long-term plan – do not seem to be entirely suitable to managing the tensions between multiple strategies nor to developing current and future capabilities.

As a result, there is more than a bit of an anti-planning, anti-analytical tinge to the new language of managerial politics and the new form of soft strategy. Indeed, Kotter's study<sup>10</sup> illustrates the actual work of general managers to be 'less systematic, more informal, less reflective, more reactive, less well organised, and more frivolous than a student of strategic planning systems ... might expect'. Strategy does not evolve from intuition or reaction to frivolity alone. Yet, as Quinn's study<sup>3</sup> shows, while managers frequently have at hand planners and their analytical methods, the qualities of successful strategies are nearly the converse of those which characterise formal planning and analysis: more ambiguous than specific, more incremental than comprehensive, more fragmented than rational. In this context, there is little wonder why strategic planning itself may be seen as anti-strategy, and why it may be ignored by new managers.

There is a problem in that, though. In rejecting the old form of definite, convergent and linear strategies, managers may be dangerously close to rejecting some of the capabilities that they had used to design them, without having found very much other than intuition to act capably in their place. We have thrown out plans – or at least their universality – as an inappropriate form of strategy; but in doing so we may too quickly throw out planning and analysis. Without meaning to, we may hamper managers' abilities to explore, to develop, to evolve, and to learn, which is what planning and analysis should and could be about.

Clearly, most corporate strategic planning is out of form. The task-oriented activities which gave us the definite, convergent

and linear plan are not geared to contribute to the plurality and heterogeneity of organisations' strategies nor to organisational development. But this cannot be taken to mean that analysis is inappropriate; rather, that its current applications as part of formal planning are not conducive to the changing form of strategy. So, planning too must change. The new view that there are many strategies of many forms means that the old-form, unitary planning systems, by their very nature, bear little relation to organisational needs.

The arguments about comprehensive versus incrementalist versus mixed-scanning approaches to planning are now classic.<sup>11</sup> Over time, we have seen the *focus* of planning in some corporations shift, away from a simple concern for operational control to a regard for simultaneously responding to market forces and allocating internal resources.<sup>12</sup> But what of the planning activities themselves? What of planning behaviour? What of its role in diagnosis and transformation? By and large, planning remains characterised by a number of traits which are not helpful to managers who are managing the interplay of multiple strategies and assessing the needs for continuing development and change.

In his paper 'Strategic response to environmental turbulence', Tom emphasised the failure of forecasting, in particular, as a major weakness of traditional strategic planning in the era of a new form of strategy. Typical of traditional planning products is the ten year 'strategic plan' so common in the National Health Service; plans that have little to do with their environmental reality months after completion. Instead of trying to be predictive and optimising, planning could be much more useful if it attempted to be anticipatory and conditional, helping the manager to explore. The development of multi-scenario and contingency planning approaches which illuminate current strategic choices rather than prescribe long-term courses of action is a welcome change. But other changes – perhaps more fundamental – are needed if planning is to be useful in the new age of management.

### *Reforming planning and analysis*

The planning approaches which gave us the old-form strategy are largely preoccupied with narrow product lines, with pre-

paring for – if not determining – problem-solving decisions, and with propagating vision, but these are no longer the focus of the strategic manager. If strategic planning is going to contribute generally to managing strategies, and if strategic management is to rely on anything more than intuition and reaction for success, these three traits – product-orientation, preparation for problem-solving, and propagation – must be redressed.

*Planning can not be separated from managing.* We know from many studies<sup>13,14</sup> that where this separation has occurred, both planning and management eventually fail. But, of course, managing is not merely about product lines. Neither, then, can planning only be about products, customer competition, and markets. It must focus as well on organisation and management, on the internal interplay of strategies, and on capabilities and needs for development.

Specifically, the information capacities and the analytical thinking frequently embodied in an organisation's planning actions can be used to help managers assess internal effectiveness with respect to issues such as external competitive position and long-term direction, and vice versa. For example, what could happen to customer service patterns if management were to introduce 'stretch' production targets? (That is, managers commit themselves to more than they are likely to achieve.) If expenditure is to be shifted to one sector from another – for example, to community care from acute care in the NHS – what are the systems and managerial capacities required to deliver simultaneous growth and reduction? Analysis of these kinds of 'what if ... ?' questions can help identify needs for organisational developments which are required to complement or ensure successful management of change. The kind of organisation-wide analysis needed to examine such questions can help to explore and clarify the links between strategic objectives of the organisation, appraisal of its performance, and needs for organisational and management development. It is no good stating simply 'here is my vision of where we want to go' if the organisation is incapable of answering 'how well are we going?' or 'what could happen when we get there?'. Planning and analysis should enable managers to make those assessments and to give them a better idea about how strategies interplay and evolve.



*As a consequence, planning must be an integral part of problem-setting.* Donald Schon calls problem-setting 'a process in which, interactively, we *name* the things to which we will attend and *frame* the context in which we will attend to them'.<sup>15</sup> Schon argues that individual managers need to reflect on action – on the phenomena they face and on the understanding implicit in their own behaviour – in order to deal effectively with uncertainty, disorder and indeterminacy. In a very real sense, management needs to do the same thing if organisations are to behave effectively. Strategic planning capacities can be used to aid the framing of problems and the reflection on practice. To do that, planning and analysis have to be much more closely related to managing the consequences of decisions than merely to preparing for decisions. This entails a capability continually to sense and analyse the fit of strategy itself to the conditions which it is intended to help manage. This analysis moves beyond asking 'are we achieving strategy?' to ask 'is the strategy right?'.

Bartlett's study<sup>16</sup> of a large corporation, EMI, with an apparently successful strategy for market penetration into the medical technology industry, shows what can happen to an organisation without the capacity to sense and analyse the fit of strategy. The impacts of change in external *and* internal environments can very quickly outdate strategy resulting in impending organisational failure, particularly when its short term success prevents the organisation from recognising the need to reform strategy until it is too late. In EMI's case, while the corporation was easily achieving prescribed targets, it was ignoring – and was remaining ignorant of – emerging external and internal turbulence, and so followed its fixed strategy to ultimate failure.

Planning can be made to help managers anticipate the need for strategic change, not only by providing a better assessment of how well managerial and organisational processes are contributing to achievement of strategies, but also by testing whether current strategies can remain robust under changing conditions. These conditions include the environmental factors both outside and inside the organisation, some of which planning already examines. But planning can be adapted to help managers broaden their understanding of other, much less

frequently examined effects, such as changing leadership and the temporal requirements for organisational change, maturation and stability. This is not merely a monitoring exercise, but a capacity – again – to explore what happens to the interplay between strategies, and what happens to the development needs of the organisation, if and as change occurs. It is a capacity to inform managerial reflection and to enhance judgment.

*Planning, then, has to be used for organisational learning*, and not as it has been as a vehicle for instructing those lower in the organisation about plans and processes which have already been determined at the top. Mintzberg and Waters<sup>4</sup> argue that the emphases on direction and control which are embedded in deliberate planned strategies actually preclude learning; and so it can be argued of the traditional planning processes that produced them: 'Once the intentions have been set, attention is riveted on realising them, not on adapting them'.

Planning as an analytical tool and as a process of dialogue could be altered fairly easily to help managers better understand how well their organisations are doing – what in Argyris and Schon's terms is called 'single-loop learning'.<sup>17</sup> With more difficulty and commitment, it can also help managers assess whether the direction in which the organisation is moving remains viable – the 'double-loop learning' entailed in weighing up new opportunities and priorities and in identifying needs for strategic change. To contribute in these ways to managing strategies, planning has to recognise the complementarities and conflicts of multiple strategies and use those dynamics to build understanding, to detect error, to test concepts, to identify needs for change and to learn about how to manage better – not least, with regard to planning itself. That kind of change is a critical commitment to 'learning to learn'.

### *On reflection*

Planning and analysis can be made to help the manager think strategically, so long as they are more developmental than instrumental, so long as they are seen as contributions to organisational learning rather than simply as tools for the organisation's instruction. I knew that in part, before working with Tom, both from the experience of having had planning fail and from

limited experiments of using planning to manage well. The lasting lessons from working with Tom, though, were gained from the challenge of his question, 'why?', and from reflecting upon one's own experience and knowledge to answer it fully.

One of the most forceful, if simple, ideas which Tom espoused was the cycle of plan-control-learn, the importance of a continuing analysis of the variance between expectation and outcome, between intention and realisation. It is in that idea that much of the answer to why planning and managing must work together lies. It is because we manage purposefully that we need to manage strategically. It is because we do make judgments about where we intend to go and because we also make judgments about how well we are realising our expectations that we need to explore, develop and evolve. Analysis cannot supplant those judgments; in the wrong form, it may harm judgment; but without it, judgment becomes reactive and *ad hoc*, and that can hardly be strategic.

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LEARNING

ROBIN COATES and KATHRYN EVANS

# The learning organisation

OPTIMISM without pragmatism is naive. Pragmatism alone breeds cynicism. Tom Evans combined pragmatism with optimism. He made it possible for many who knew him to confirm or rediscover a belief that the future is worth investing in, and to find practical ways of making that investment.

The medium for that investment was, in Tom Evans case, the NHS in particular, but all organisations in general. He did not have an opportunity to do more than to begin to explore the theme of the learning organisation through his writing and teaching of strategic management, and his leadership of the King's Fund College. However, it was through the ways that learning could be enhanced by management development that he hoped to revitalise the service often traumatised, rather than stimulated, by past, present, and potential change.

Tom enthused and excited those with whom he came into contact with his extraordinary capacity to build bigger pictures. In the lecture theatre he would involve the whole group by listening attentively to every contribution, accurately understanding the meaning and whether the tone was agreement or disagreement, finding a way to fit it into the picture he was building. In what seemed like one instinctive process, he achieved very high levels of ownership, clearly showed in a constructive and non-threatening way the partial perspective of the individual contributions and constructed a vision and map that appealed to our need to be part of something bigger than ourselves. When he was not able to understand or see the fit of a contribution he admitted this dilemma and actively and openly worked at it.

He was able to work in this way because of his deep belief in people and his sense that diversity is essential for development and that conflicts are resolvable. He had an extraordinary curiosity and intellectual grasp across an enormous range of problem fields and a lifelong devotion to learning to learn.

Of course, it is *people* who learn; nevertheless, people come together in groups and organisations, and there are some organisations which enhance the learning process of those within them and others which do not. The stimulus for thinking about organisational learning has its roots in systems thinking and the imperative of the commercial and industrial organisations to attend to survival in competitive and changing environ-

ments. Argyris and Schon<sup>1</sup> provide both a descriptive starting point and a prescription for organisational survival in their current thinking about learning. They address a world in which doing things the way they have always been done, however well, will no longer secure survival. This is a world where no instinctive application of previous solutions will solve the complex problems that arise. It could be a British engineering firm, a Californian sunrise industry, or an acute hospital unit in the NHS that they are addressing. Argyris' long term preoccupation, that of integrating individual needs and potential into organisational life, underpin his current concern with learning, but his current writing develops to demonstrate his own capacity for 'deutero-learning'.

Deutero-learning ... more management 'jargon', or an idea with practical application: what is it? Whatever it is, it is a starting point for considering organisational learning. Argyris and Schon distinguish between 'single-loop', 'double-loop' and 'deutero-learning'. Single-loop learning consists of learning to do existing things better.

Their metaphor is that of a thermostat, cutting off at a certain temperature – a programmed response to a problem. In organisational terms, a target might be set, a variance measured and corrected. This is the rational outcome of considering an organisation to be a machine. Such a response may be adequate in many circumstances, for example where a machine or system might be improved by external intervention.

What if those who 'decide' on the nature of the intervention do not have the information about what would make a real difference at operating level; or if the time taken to recognise the need for change, to design and intervene is too long to suit the circumstances; or if those at the root of the problem experience the 'solution' as externally imposed and resist it?

The answer to these questions lies in 'double-loop' learning, where operators notice when targets are not being met and when the environment changes, anticipating some of the variables and questioning the targets themselves, noticing when changes are necessary and new ways of doing this are required. In doing so they are not instructed, but facilitated by management who provide directional guidance, a wider view of purpose and limits to discretion. Orchestration might be the analogy

here, where each element has its own skills and confidence, but the direction and rehearsal can contribute to a change of tempo, style or performance. Again double-loop learning may be an adequate response for circumstances in which existing skills, professional training, planning techniques, systems, have prepared organisational members.

However, what is the response when all our sensible responses for dealing with uncertainty, our competence, skills, experience, planning techniques, programmes, are inadequate? Suppose that we face in organisational life not just uncertainty but lack of continuity of the predictable and of the rational? What then?

Deutero-learning is a response which fosters the competence and capacity to manage change through learning *how* to learn, revising and questioning the very norms, or implicit rules governing behaviour, which shape our response to events. It is the capacity to do this, not occasionally in response to a crisis, but all the time; not just trying harder for efficiency within an existing framework, or seeking effectiveness through questioning the framework itself, but establishing a process whereby you can question objectives and confront basic assumptions about the way things are done.

There are some pragmatic and practical arguments for fostering learning. Staying ahead of the game is one. Avoiding the sudden discovery that your placid pond has become a stagnating backwater is another. Realising that you can avoid the trauma of an externally forced crisis yet again, or at least have the capacity to respond next time, is a persuasive argument in our current climate.

A more holistic view is that all organisations are environmental transacting 'organisms' which need to provide in total output terms more than they consume, destroy and pollute, and it follows that the higher the qualitative margin is, the more our world and we in turn benefit. Whilst it would be extremely hard to measure such things we can at least see this as an aim and a source of motivation for change and development.

One part of these survival-related concerns is the involvement and well-being of the individuals who make up organisations and the use or abuse of *their* potential. It is autonomous beings who engage in deutero-learning, those who can think for



themselves, retain responsibility for themselves while participating in organisational life in an interdependent way. Development is not something that can be imposed but circumstances can be created which make it more likely to occur; for instance the opportunity to link reflection and action requires a clear area of discretion, within which people can operate and seek effective feedback.

All this is remote from much of the reality of organisational life as so many of us know it. It is impossible too to turn to a model and say 'that is how the learning organisation can work'. It is much easier to turn in every direction and say 'learning cannot flourish there'. But of course it does; people learn, adapt, use their experience in all sorts of climates and cultures, even the most repressive, even if the sum total of learning is survival in its narrowest sense. Organisations, too, learn to survive by tightening controls, shedding workforce, reducing numbers, enhancing short-term profit, reorganising, tightening cash limits, to what end? Possible survival in the short and medium term, but the longer term may need the skills and autonomous responses of the people who comprise the organisation.

We often hear that the Chinese word for crisis and opportunity is one and the same. A crisis may bring uncertainty and discomfort but there is also challenge, interest and opportunity to be seized. The time of the greatest negative energy creates the greatest opportunities to do something if you work actively with the energy rather than try to ignore or dissipate it. Deutero-learning, learning to learn, is uncomfortable. To question established frameworks, rather than taking refuge in them, leaves people vulnerable and confused. The learning organisation will need new ways of dealing with uncertainty and new means of engendering support for those who join. More emphasis on building frameworks jointly with others, sharing experience and ideas and understanding must be found, the imperfection of perfect solutions recognised. In a learning organisation people cannot avoid thinking, nor believe in the perfectibility of systems.

There are numerous blocks to this sort of learning. Perhaps the greatest is the quality that we are all educated to aspire to – competence. It is not that competence is to be reviled, but rather that when change and doing things differently become

necessary the expectation, or illusion of perfection becomes a handicap. People need permission to explore, make mistakes, even make fools of themselves occasionally. This is difficult when professionals have been a social ideal for so long: rarely praised, as they are expected to perform well; never vulnerable, as they know what they are doing, therefore unable to ask for help and support; unwilling to take a risk and acknowledge a mistake lest experimentation will lead to accusations of incompetence.

This is not to deny the need for skills, professional training and expertise, but rather to suggest that the learning organisation requires people with the capacity to think broadly, to scan across traditional boundaries and to realise that their development never stops.

For those consulting the professional and the subordinate seeking certainty from a manager, this requires their giving up many of their long held images of 'perfect' teachers and parents, which in turn is a key part of the development process towards their own autonomy.

How are these qualities developed and enhanced? The emphasis is upon self-development within the enabling framework of the organisation. Argyris and Schon cite some of the features which help the process. Investment of time and energy allied with an awareness throughout the organisation of learning as a process are crucial. So are tasks with a challenge to learn associated with them. Learning can be built into work organisational tasks. Identifying and using internal and external catalysts may assist with cultivating the learning process. What can be expected of the individuals in all this is that they are prepared to experiment and tolerate it in others, without blaming and defensiveness. They need to keep their own future in their own hands and seek and decide upon opportunities offered. Keeping tight control of boundaries and ownership of territory is counter-productive and blocks learning.

For those who manage in such a setting, the emphasis is on enhancing the autonomy of those they manage, as individuals and teams; enabling them to solve problems, to share anxieties and ideas as key steps to scanning their situation; to find out what they think is needed; and to discover in themselves what they want and to be able to assert both; to be able to convey this

to those they relate to in such a way that synergistic solutions are agreed and acted on. The manager/leader in the learning organisation encourages as many people as possible to lead and gently aligns their contributions through building widely shared visions and strategies, making clear what is valued but accepting that with learning goes some mess, anger, and upset. The manager is also human, has ideas, makes mistakes, gets anxious and needs to share these things too.

This combination of autonomy and vulnerability, leadership and support, development and being developed is one of the biggest and most essential steps that we have to make as individuals and organisations if we are to learn in an environmentally and personally fulfilling way. This demands acceptance, development and integration of ourselves as intellectual, emotional and acting organisms. This in turn suggests the breaking down of artificial barriers between managers, designers, planners, 'doers' and those done to.

The sort of organisation that harbours these processes enables rather than controls, accepts and encourages diversity and differences, and helps members to help themselves. Perhaps it has at hand a few of those who have learnt the cost of not learning how to learn, to underline the importance of the investment. In terms of structure it is minimalistic and good at using temporary arrangements. The minimum you need to get things done: erecting tents, not palaces; balancing on a fulcrum,<sup>2</sup> rather than digging in for permanence.

Again there is no perfect 'learning organisation' to point to. However, in approaches to planning, in true multi-disciplinary team work, in problem solving groups, in enlightened organisation development, there are examples of people working in ways that encourage learning to learn and assist them to cope with managing change, rather than being overtaken by it.

It is in this response that support lies. Socrates said that the unexamined life is insupportable. Examined and reflected upon, problems become surmountable; encouraged people discover their own capabilities and find a vision of what could be.

Tom Evans, working in the world as it is, created an idea of what could be and shared it with many he worked with, transforming what can be controlling and cynical in management into something liberating and optimistic, but practical too.

*A postscript by Robin Coates*

In many respects I saw Tom as someone doing all of this through a mixture of highly developed group interaction skills, personal energy, a conviction of the need for a better world, and extraordinary intellectual skills. He was determined to tidy up some of the mess and *avoid emotional upset*. Here was his difficulty and the key extra dimension that needs to be added to our personal development, management and organisation development. Tom's illness dramatically changed his view of his work and few knew the even more complete Tom that emerged. He described his life's work as building the most amazingly inclusive and highly polished paradigm but it was a paradigm which could be cut through, overthrown and surpassed by direct, open, unfearful relating between human beings. The consequences of accepting this is experiencing fully our feelings and emotions, which with support from those around us, we can learn to see as enriching and healing. The alternative is to build enormous edifices in buildings, organisations and procedures to protect us from the unavoidable and, in the end, life itself.

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CHARLES HANDY

# Learning to be a leader

WHEN Tom Evans was appointed Director of the King's Fund College we all of us recognised that he was superbly equipped intellectually for the job. His knowledge of the NHS, his powers of analysis and his capacity for rational exposition were beyond question. I wondered, however, how on earth he would cope with running the place. He was not, it seemed to me, a natural leader of people or of organisations, but more the maverick individualist, often impatient of superiors, subordinates and colleagues alike.

By all accounts I could not have been more wrong. His untimely death deprived the King's Fund and the health service of one of those rare people – the 'transforming leader' to use the words of James MacGregor Burns.<sup>1</sup> What was it in his make-up, or his experience, that so well equipped him for this task of leadership? Why had I got it wrong? Was I confusing management with leadership? Is there a difference?

The question is pertinent because leadership is now in fashion again; no longer does it carry its overtones of militarism or macho heroics; it is instead the stuff of best-selling tracts on business, the theme of ambitious researchers and of up-market training programmes for managers. How has this come about, and how seriously should we take all the new proverbs and commandments? What does it take to be a leader? Can one learn it, or develop it, or only recognise it when it's there?

The leadership industry is, I suggest, a symptom of a deeper and more far-reaching change in our thinking about organisations. We have exchanged the language of engineering for the language of political theory and the study of organisations will never be quite the same again. It used to be that organisations were thought of as pieces of engineering, flawed pieces maybe but capable in theory of perfectibility, of precision, of full efficiency. They were things to be 'designed', 'planned' and 'managed' – full of 'human resources', 'feedback loops' and 'control systems'. The very word 'management' with its origins in the running of the household or, some say, of the army mule trains, implies control backed by authority (which is perhaps why it is a word much disliked in all those professional and voluntary bodies which value autonomy).

The new language of organisations is different. The talk today is of networks and alliances, of adhocracy and federalism,

of shared values, cultures and consensus. The key words are power not plans, the possible rather than the perfect, involvement instead of compliance. These are the words of political systems not of engineering; they are the language of leadership not of management.

The new language is the right language. Anyone who has tried to run an organisation has always known that it was more like running a small country than a machine. It was only the theorists who tried to apply the hard rules of number and logic and mechanics to an essentially soft system. Maybe the British were instinctively right to pay little heed to it until people like Peters and Waterman started talking the new language in their *In search of excellence*, a book which obviously touched some chord.<sup>2</sup>

As a result, leadership is now fashionable but, as Warren Bennis says in his own book on leaders, it remains the most studied and least understood topic in all the social sciences.<sup>3</sup> Like beauty or love, we know it when we see it but cannot easily define it or produce it on demand. Again, like beauty and love, the writings on it are fun, sexy even, with their pictures of heroes and stories that can be our private fantasies. To read MacGregor Burns,<sup>1</sup> Maccoby,<sup>4</sup> Alistair, Mant,<sup>5</sup> Warren Bennis,<sup>3</sup> Cary Cooper<sup>6</sup> or Peters and Waterman<sup>2</sup> themselves is to escape into a private world of might-have-beens.

They may even do a disservice, these fun books, with their tales of heroes and their myths of the mighty, by suggesting that leadership is only for the few and the special. The significance of the new language is, I believe, that leadership has to be endemic in organisations, the fashion not the exception. Everyone with pretensions to be anyone must begin to think and act like a leader. Some will find it comes naturally and will blossom, some won't enjoy it at all; but unless you try, and are allowed to try, no one will ever know, for leadership is hard if not impossible to detect in embryo – it has to be seen in action to be recognised by oneself as much as by others.

So what is this mysterious thing and how does one acquire it? The studies agree on very little but what they do agree on is probably at the heart of things. It is this: 'A leader shapes and shares a vision which gives point to the work of others'.

Would that it were as easy to do as to say! Think on these aspects of that short sentence:

The vision must be different. A plan or a strategy which is a projection of the present or a replica of what everyone else is doing is not a vision. A vision has to 're-frame' the known scene, to re-conceptualise the obvious, connect the previously unconnected, dream a dream. Alistair Mant talks of the leader as 'builder' working with others towards a 'third corner', a goal. Those who are interested only in power or achievement for its own sake he calls 'raiders' or mere 'binary' people. MacGregor Burns talks of the 'transforming' leader as opposed to the mere 'transactional' one, the busy fixer.

The vision must make sense to others. Ideally it should create the 'aha effect', as when everyone says 'aha – of course, now I see it', like wit perhaps – what oft was thought but ne'er so well expressed. To make sense it must stretch people's imaginations but still be within the bounds of possibility. To give point to the work of others it must be *related* to their work and not to some grand design in which they feel they have no point. If 'vision' is too grand a word, try 'goal' or even 'manifesto'.

The vision must be understandable. No one can communicate a vision that takes two pages to read, or is too full of numbers and jargon. It has to be a vision that sticks in the head. Metaphor and analogy can be keys because they provide us with vivid images with room for interpretation – low definition concepts as opposed to the more precise high definition words of engineering and management.

The leader must live the vision. He or she must not only believe in it but must be seen to believe in it. It is tempting credulity to proclaim a crusade for the impoverished from a luxury apartment. Effective leaders, we are told, exude energy. Energy comes easily if you love your cause. Effective leaders, again, have integrity. Integrity, being true to yourself, comes naturally if you live for your vision. In other words, the vision cannot be something thought up in the drawing office; to be real it has to come from the deepest parts of you, from an inner system of belief. The total pragmatist cannot be a transforming leader.

The leader must remember that it is *the work of others*. The vision remains a dream without that work of others. A leader with no followers is a voice in the wilderness. Leaders like to



choose their teams but most inherit them and must then make them their own. Trust in others is repaid by trust from them. If it is to be *their* vision too, then their ideas should be heeded.

Such arts and skills cannot, I think, be taught. But they can be learnt or, rather, you can discover them within you, foster them and let them grow. Leaders may well be born that way, or shaped by early experience, but how do we know we are or aren't unless we try? Some say that the firstborn strive harder, or those who had to struggle more when young, or needed to prove something to parents or significant elders. Yet this is more about achievement than leadership.

For leadership to flower some things are necessary:

The room to move. Space for responsibility and experiment is essential. Without freedom to change things there is no call for leadership. Without the room to make mistakes there is no point in experiment. Early responsibility is essential to the discovery of one's leadership; so is the readiness to *forgive* and be forgiven, for any mistakes made in the process. No one can learn from mistakes unless they are prepared to write them off to experience.

A belief in oneself. No one with an inferiority complex is going to start creating visions or dreaming dreams. You have to believe that you can influence events and people. Carried too far this is arrogance, but unless you believe in yourself it is unlikely that others will. Warren Bennis describes how Wallenda, the great tight-rope walker, never fell until he started to think about *not* falling and then he fell to his death. Belief in oneself is boosted by early success, but is also rooted in a greater belief which gives the individual some sense of the meaning of life and the purpose behind doing things. Those who see no point in things will see no need to change things, no need to make a difference.

An awareness of other worlds. Reframing is hard to do without perspectives from other worlds. People with long experience in one field have the blinkers of that experience. To see yourself and your situation as others see it, it is necessary to stand outside your world at times. To use metaphor and analogy and words effectively you need to know those metaphors and words.

John Kennedy read history and biography. Others travel, use the theatre or music, read novels or study literature. There must be time to live in other worlds.

A capacity for loneliness. Leaders are, by definition, out front. They may be respected, trusted, believed in, but they will not always be loved. It will often be lonely with only one's own convictions to hold onto. Furthermore, wise leaders take time to be by themselves, they understand about the need for retreats, stability zones and quiet times lest they lose themselves in activity and become blinkered by their busyness – oscillation, Mant calls it, the withdrawing so that one may better reenter. Cooper found that his leaders were, without exceptions, self-defined loners.

Not all who have these things will end up leaders. They are necessary but not sufficient conditions. They are not the stuff of training courses but they are a sort of highway code for those who would spend their lives in organisations. Pay heed to these things if you want to make a difference, or if you want to encourage others to make a difference.

It will not be without pain. Mistakes, even when forgiven, can hurt, and cost. To be alone is often to be depressed. A belief in oneself goes with and comes from a constant doubt, about oneself and about the point of things. Leaders are not invulnerable and should not be if they want the empathy of others. If organisations are to grow the leaders they so badly need they must take more risks with more people, be more understanding and more forgiving. Only then will they discover what leadership talents are there.

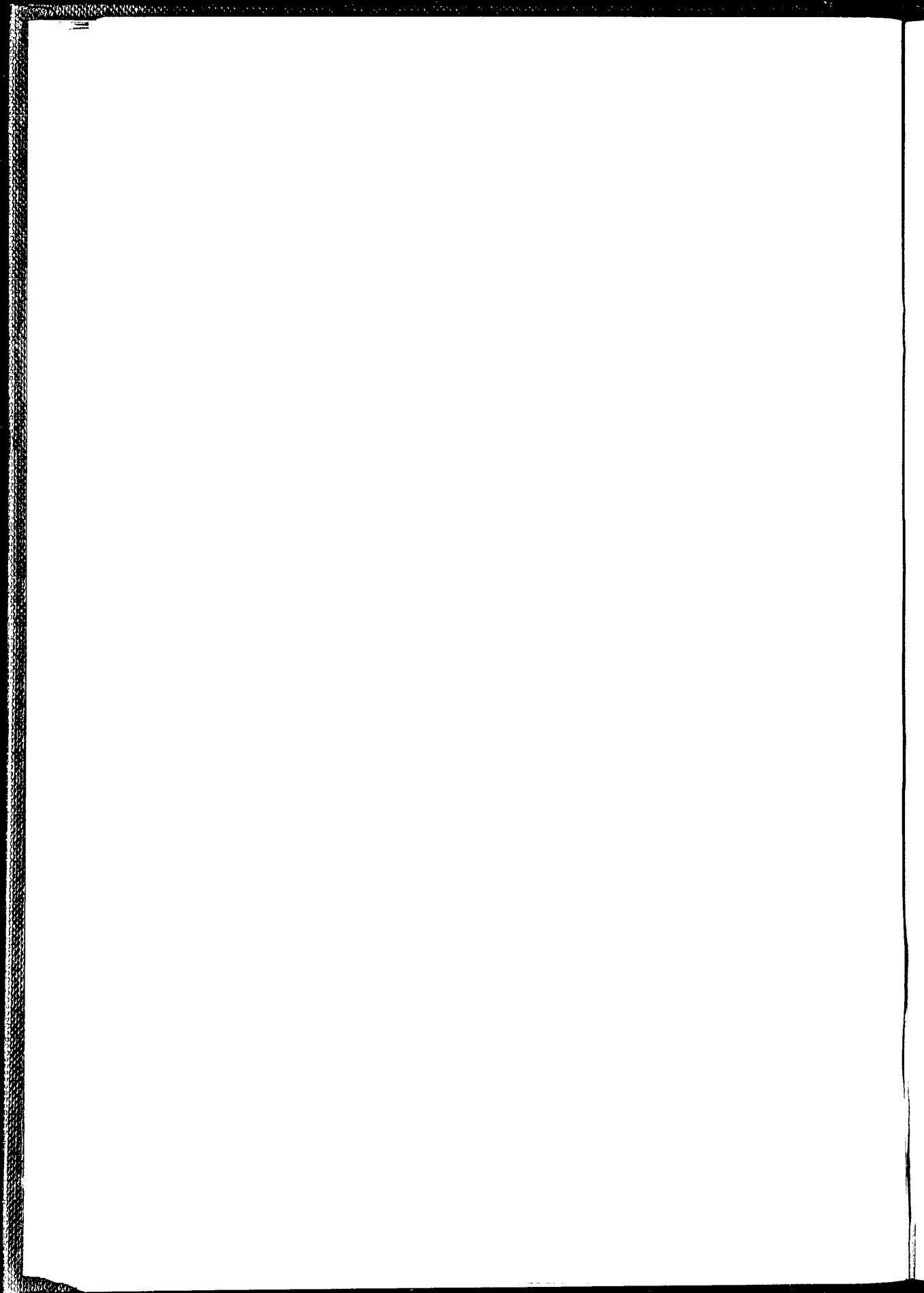
But there is more to it than just spotting leaders. Organisations would be wise to embrace the new language of leadership, the language of politics, and begin to think of themselves as societies of citizens, societies with a point and a purpose, but to be run as societies not as machines, with leaders at their head. There is managing to be done, and it needs to be done effectively, but it is subordinate to the proper leadership of the bits that make up the whole.

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MANAGEMENT IN THE NHS

TOM EVANS

Managing service changes with  
declining resources:  
a strategic perspective

MY argument today\* can be very simply expressed. That is probably because it is a somewhat simple minded argument, but one which I think is important from the point of view of understanding the kinds of problems that we have to face in the NHS and how we might approach them. We can all think of many developments, many innovations in the ways we manage our organisations, which may be appropriate or necessary. However, I wish to suggest that the great danger that we face, and one about which we must be extremely cautious, is simply latching on to some of these innovations and mechanisms as if they were panaceas and answers, and failing to put them in an appropriate strategic context. In other words, I want to talk about the kinds of innovations in management systems which many of us would like to see, but also about the importance of ensuring that these are directed by and responsive to our overall assessment of what the problems of the organisation are and the kind of strategy that we are developing for dealing with it. That is a broad brush way of putting it, but I hope to demonstrate the point in somewhat more detail in the time I have.

### *The managerial environment*

First, let me make an introductory observation which perhaps comes more easily from an outsider to the NHS, although surely many insiders have felt it over the last couple of years. My topic today is the problem of dealing with changing services requirements in a period of nil or negative growth. We are dealing with that problem in a very complex and rather inhospitable environment. What has impressed me enormously in the three or four years in which I have been involved in the National Health Service, as an authority member and as an observer based in the King's Fund, is the tremendous weight of the demands that are being made on health service managers at the moment. I want to give some recognition to that at the beginning, because it is an important part of the context in which we have to decide upon our priorities. Without pretending originality, let me list the sort of things that clearly are problems in our managerial environment: the incredible blight of reorganisation – the two and a half years in which we have

\* Given at a CIPFA health service conference in 1983.

been preoccupied with managing the changes of organisation and of our own jobs within that, diverting attention from the problems that have rolled over the NHS with extraordinary ferociousness during that time: the questions of priorities; the question of changes in patterns of demand, and particularly the anticipated growth in the elderly; the question of equalisation, not within the liberal framework which was originally implied by RAWP through differential allocations of growth, but increasingly trying to find principles of taxation, to determine who should give up expenditure in order to provide the margin for reallocation into areas which have been traditionally under-endowed; the question of accountability; the question – which we shall have to face – of make or buy; the questions of the nature of senior and unit management which are currently, and usefully, being raised by the Griffiths inquiry.

All these things are interesting in their own right and we could have substantial debate about them. Each requires major development of concept and practice; side by side, concurrently, they amount to a ferocious set of demands on our managerial intentions, on our managerial energies, and perhaps most of all on our managerial imagination, because most of these things are asking us to take on board something which is not routinely familiar from our existing practice.

This is the context in which we have to discuss the topic which is the main concern today. The problem of managing change cannot be isolated from the concurrent pressures of these factors and the uncertainty they produce. Indeed, it reminds me of an observation of a citizen of Belfast in a television interview that 'anyone here who is not confused does not understand what is going on'. And what seems an important initial thing to recognise: that we are all in a state of confusion, yet out of that, somehow or other, we shall have to weld together some direction and some priorities as to what we should like to see happen.

### *Innovations in system and methods*

It is quite possible, and in many ways very desirable, that the way in which we approach the task is to look at specific innovations in management systems. I should like to go through, in a

certain amount of detail, some of the propositions that have been put forward, both because I think that most of them are reasonable candidates and therefore we should be thinking about whether we want to develop our management systems in that direction, and because most of them also involve some substantial choices and ambiguities which we need to sort out if we are to use this as a way of making progress.

Let me start with what would be an important shift of direction. Albeit with a certain sense of parody, I have, for some while, been describing the NHS as essentially a status quo service, one that is largely based on historical allocations of expenditure and one which looks at changes on a fairly marginal and incremental basis. If we are serious about shifting resources to priority services, if we are serious about looking at how we can manage declining resources, which is certainly a prospect which is facing many districts, then we do have to get into the 'zero based' business in some way or another. In other words, there is no way of coping with the kinds of challenges by simply continuing into the future managerial systems and methods of assessment which merely look at those items which are coming up for expansion or development within a particular year. We have to be prepared to go further than that and say: how do we know that our existing activities and the activities which are firmly established in our portfolio of service provision are worthy of continuation in the light of the new competition for resources?

Now let me, on saying that, immediately retract somewhat, because I really do not believe, and would not sensibly advocate, that we should go for a madcap zero based system in which everything was inspected and evaluated every time around. But there are useful experiences in other kinds of organisations and other countries of helpful halfway houses in which we can try to look systematically and in turn at the activities that we are undertaking. By such methods we may re-inspect whether they remain of priority, whether they are consistent with the assumptions initially made about workload, whether they return the value originally imagined when the programme was established, and so on. Of course, all this does is to expose problems, because if we decided that a particular area of work was one which no longer warranted the emphasis which it had had



traditionally, that simply leaves us then with the very intractable political problem of how to run it down. But let me at least put that forward as an initial starting point – that unless we have some mechanism for zero based review, it is not possible to begin to grasp many of the nettles which have been presented to us in our environment.

Secondly, and very obviously, there is a demand for system development, often tied specifically to the question of information and control systems. We are all familiar with the kind of work that the Körner committee is doing. There are two things I should like to say about that. One is that we should not run away with the idea that the implementation of Körner's recommendations will somehow permanently resolve our information problems. In other words, we should not be too ambitious about the relatively modest exercise that Körner is undertaking. It is essentially a search for a standardised data base which attempts to get reasonable linkage between financial information and activity information and manpower information, and meets certain requirements of consistency, of timeliness and so on. All that seems to me to be fundamental and necessary, and necessary to implement quickly, but it is by no means a management information system in the sense that we could reasonably have aspirations to develop.

My other observation on Körner concerns the need to relate information to something. When people talk about the use of information, they are saying that what we have to do in implementation of Körner is to get on to talking about how managers use information, and particularly about how top managers and authority members use information. I cannot help feeling that is being over ambitious, and that there is again a halfway house which is an attempt to establish reasonable control systems for our activities across the board – not just for our financial outcomes, not just for our budgetary expenditure, but for our manpower deployment, for our service levels, and various other things of that sort. Indeed, perhaps the biggest lesson for me in coming to the NHS from the outside, having had experience of management in other kinds of organisations, is to find that treasurers and finance people are essentially the only managers in the National Health Service who understand the concept of control, and that by and large wherever we see the concept of

control applied, it is applied to budgets. But it is not applied in any sense to policy or to measures of activity. One of the things we have to try to encourage is a culture in which managers ask routinely 'What did I think I was doing and what did I expect to happen?', and then make systematic comparisons between that and what actually did happen. However crudely we can do this, and we must recognise that it will be crude in the first instance, it is a basis of learning on which we can build. That kind of commitment to learning through control is largely absent within the generalised culture of management within the NHS, apart from its being understood in a limited budgetary sense by treasurers.

The third area of innovation is that of clinical accountability, which inevitably we shall get into, and which to some extent will be picked up by one of the sub-groups of the Körner inquiry. The primary questions concern the kind of costing systems we should develop. Do we go for patient costing systems? Or specialty costing systems? The objective is to develop systems that try to relate responsibility for resource use to measures of cost and activity. The important thing is that the investment we make now should be a sound basis for the budgeting and planning analysis of clinical activity that we shall develop over the next decade or so. In my own view, the adaptation of 'diagnostically related groups' offers the best prospect for such a robust foundation. But I would also hazard a guess that we should be thinking in terms of dual budgeting systems, in which there are people who have a responsibility for inputs, and other people who have a responsibility for clinical budgets, with a transfer of resources between the two. The implication of that is that internal pricing mechanisms will be developed, such that nurse manpower is sold to clinical providers of services, and theatre time is sold to surgical budget holders. That begins to get us into the question of really sorting out what the basis of use is, and how far there is flexibility in use of resources for the delivery of clinical services. How far will people actually say: 'OK, if theatre time is priced in that kind of way, I shall use less theatre or at least use it more effectively and spend the money in my budget on something else'? That is rather fanciful at this stage of the proceedings, but it seems to have implications for the way we manage our systems which makes it a reasonable goal.

Associated with all of that, may I make a point which I made to the ISHA Conference when I was invited to speak there two years ago, in much more profound ignorance even than I would confess now. However, it turned out to be quite a robust point so I shall make it again. It has been reinforced since by Canadians who came on the exchange scheme that the King's Fund runs. At the end of their stay with us I asked them what were the things that impressed them most, both positively and negatively, about the National Health Service. One they put up is what we always hear from North Americans in this context, which is: 'How can you practise decent care in the physical framework in which you operate?'

But their second observation, and this is the point that I really should like to make, is that they were absolutely appalled by the lack of concern with quality assessment. I put that forward as a point that once again needs to be brought out in the context of our current concerns. There is no novelty in it whatsoever, but the question of how to test quality both at a micro level of whether the individual delivery of clinical services is meeting required and reasonable standards, and, at an overall sense, whether the kinds of services that we are providing are both reasonable and appropriate, is central to our concern with accountability and effectiveness.

The remainder of the prospective innovations I shall mention are fairly speculative, but they do show up some of the problems that we have in picking out issues and responding to them. The fourth issue I should like to raise is the question of analysis for decision. By and large, there are many instances in which what is wrong when we come to make decisions is not the absence of information but our incapacity to organise that information in an analytical way which is relevant to the decision to be made. Let me take a very specific point. As an economist, one would always ask the question: What is incremental to this decision? What changes as a result of making this decision? What is the difference between doing (A) and doing (B)? That kind of question asked systematically is all too rare within the service. It is asked in a relatively casual kind of way, but it often is not tied down into a rigorous perspective. Perhaps this is too general an observation, but we do have a bit of a gap between the way that we conventionally look at issues, and ways in which it would

be appropriate to organise our analysis as a basis of decision making.

Fifthly, something which I know is being picked up, but to which I should like to add my weight, is the question of asset accounting within the National Health Service. It is again an extraordinary situation that we have no capital accounting in any real sense. The consumption of assets is something which goes by completely unrecorded, and gets to the state in which assets are seen as free goods. It does not actually matter how much of an asset is consumed because there is no accounting for it, and there is no recognition of it in any of the allocations. But it does seem to be incredibly important that if we make those other kinds of changes, we should start to work out a basis of capital accounting both in terms of asset use and in terms of capital planning, both of which remain relatively primitive in existing managerial practice.

Finally, I should like to make a contextual point, namely, the predominance within most of our accounting and most of our information systems of reporting as opposed to managerial planning and control. There is a tremendous emphasis in what we do on providing information for reporting throughout the system. A colleague of mine has this marvellous metaphor, that managing the health service is like steering a boat by peering over the stern and watching the wake. That seems to me to be really quite accurate. What we are talking about is not should we watch the wake for a longer period of time or more accurately? What we are talking about is whether we should be watching the wake at all as a way of steering the ship, and is it not a radical change in perspective that is required?

### *The dangers*

Though there is nothing at all novel in what I have said, it stacks up to a pretty ferocious set of demands. There are very few of us in districts, or even in regions, who would have the resources to make major inroads into all of this. I would like at this point perhaps to make one thing clear as a basis for my discussion, namely that it is becoming increasingly clear to me that the accusation that the service is over-managed is the most grotesque distortion. The service, in my view, is vastly under-

managed, and if we were serious about making the kinds of innovations which would rank us very ordinary in most other kinds of organisations, we cannot expect to do this on the basis of finance departments or other managers who are struggling in order to perform the most routine and ordinary functions. That is not a basis on which we shall be able to develop anything. What I am talking about requires a very substantial investment in senior management who can cause these kinds of changes to happen. But, even taking that on board, the sort of changes that I have listed and the sorts of technical developments that I have tried to identify are very substantial and probably beyond our capacity for innovation in the immediate future.

But that is only part of the point that I want to make. The more fundamental point is that much of the discussion, even of what one might call the progressive discussion on these kinds of issues, has looked at these innovations as if they would provide us with answers – ‘if only we had better information’, ‘if only we had specialty costing or clinical budgeting’, ‘if only we had asset accounting’ – ‘then of course we would be able to run the system much better’. I have serious fears about that kind of approach. It seems to me that we veer, if we are not careful, into a mechanistic view of saying better systems mean better management, and I frankly do not believe that. If I can give an absurd illustration which now, when I look at it, is quite irrelevant, but nevertheless quite amusing. There was a press headline which I saw a short while ago which said simply: ‘Kidney machine gives man new heart’. At least let that be an aide-memoire to warn us of the dangers of mechanistic expectations of systems innovations.

We have to avoid a series of potential pathologies of these kinds of systems developments. First, there is the isolated technical scorekeeping treasurer who sees these things as his domain and he will or will not produce the innovations in the light of his own functional needs or inclinations. The nature of the problems that we are facing requires a much more strategic role for treasurers and a much more integrated role into the development of strategy within the district.

The second pathology is the production of sophisticated, glamorous, beautiful, computer-based, but unusable systems – unusable given the skills, understandings and practices of the

managers who will have to use them. In other words, some might be able to use them, but the rest of us, who have rather pathetic levels of skills in these areas, might not. Clearly an investment which produces that kind of situation produces no return, because the return is to be seen in the capacity of managers and decision makers generally to pick up the advantages of the systems that we have introduced.

Thirdly, and associated with this, there is the pathology of seeing strategy as a succession of decisions about what our services will look like and how we are to lead them forward into the future. In my view, strategy has increasingly got to be seen as developing the capability of the organisation and its management to cope with the problems that are being faced: in other words, less and less concerned with 'what are we going to do about X?' and more and more concerned with 'how are we going to develop our organisation to be more capable of doing something about X?'. Clearly the first point cannot be ignored, but the two need to be brought into tandem to some extent.

#### *A strategic context for innovation*

The argument, therefore, is that we need to integrate the direction and type of systems innovations with the capability of management and with its strategic priorities and development, and that this needs a concept of strategy which embraces the development of the organisation, the development of systems, and the development of policy making in tandem. This is what I call 'strategic management', putting it all together into managing the organisation and creating a direction and a package of changes for it.

I should like finally to pick out three illustrations of the kinds of things one would think about within the framework of strategic management which perhaps are not being thought about in this way within National Health Service management at the moment. First, planning. I have spent a lot of my life messing about with planning and I have a strong bias and vested interest in all of this. So I encourage my audience to take everything I say with a suitable pinch of salt, but, nevertheless, to try to answer the problem that I pose.

We can be critical of traditional systems for planning within

the National Health Service, the kinds of things we have been preoccupied with over the last five years. I would make perhaps six basic criticisms of that, which are useful in diagnosing where we should go on.

First, it has a tendency to be ritualistic. It often has consisted of filling in the right forms by the right time with the right information in the right tabular structure, and we know that we plan because we have done that. That in my view is planning which is not worth a bean. Planning which simply consists of rituals and does not actually affect the way one does anything is not substantial.

Secondly, there is a tendency towards picture painting, namely saying what our services may look like in the year 1993 or whatever target date we take. These detailed comprehensive pictures are not an efficient or even a useful statement of strategy for guiding shorter-term decisions. This is based on increasingly sophisticated epidemiological and forecasting work to produce all kinds of statements about planning populations, movements and things of this sort, all of which is then thrown away by the application of bed norms which are unjustified, and to a very large extent are probably totally unattainable. The strength of the chain is its weakest point. Hence the third criticism is that the whole exercise is undermined. It does not matter how much effort we put into all of the sophisticated structuring of a problem in the first instance if we then apply something as weak as our bed norm concept.

Fourthly, there is the tendency in the operational planning that one sees going on at district level to aggregate decisions rather than influence them. In other words, they come up with development proposals which people would come up with anyway, but all that someone does is add them up, put them in a single document, and say, 'these are now our development plans' – rather than getting behind that and suggesting that, in the process through which development options are generated, different sorts of criteria, different sorts of influences are brought to bear. Certainly in the operational planning that I have seen, it has been predominantly concerned with aggregating decisions which are already made by other processes, rather than influencing them.

Fifthly, the question of linking real and financial planning,

particularly at the moment, while we are trying to sort out these desperately difficult problems of the tax base, is difficult in many regions. It embraces particularly the problem of linking medical manpower planning into service planning and into financial planning. At the moment such large discrepancies exist that the credibility of the whole exercise, at least perceived from district level, is in some substantial doubt.

Finally, planning is fundamentally about facilities, namely the way in which we supply services, not about social planning. In other words, it is about how we supply demands we know are out there, rather than questioning whether we have any basis of discussing with people what they really want, what their priorities are, what kinds of risks they are prepared to incur and so on. Planning of the kinds of services that we provide has increasingly to be a basis of dialogue and discussion with a lot of disparate groups rather than something which is merely finding technical ways of responding to the kinds of demands which we have estimated on their behalf.

It is very easy to be negative. Let me, in broad outline, try to be a little more positive. This gets difficult because I am trying to advocate things which as yet largely do not exist. Nevertheless, I think we can pick out a number of characteristics of what planning might look like in an alternative vision.

First, it should recognise and help to structure uncertainty. It should not rely on forecasts that 'our planning population will be 337,468' because anybody in this modern world who is making those kinds of forecasts of the phenomena he is dealing with, is kidding himself. Uncertainty, and our incapacity to forecast and to understand what is going on, are at the very heart of our planning effort. Therefore, our planning must deliberately find a way of dealing with that.

Consequently, the second point is that planning should be in the business of developing scenarios and trying to test our major strategic options against these scenarios, not from the point of view of finding out which is the best option, but finding out, for example, which is the most robust option. An option which scores particularly well if one thing happens and particularly badly if another thing happens may be much less desirable than one which is tolerably good on the basis of all sorts of forecasts of what is likely to happen. I think that is a very serious differ-



ence, and if we look at the kinds of decisions that we have to make, it may well be that we are looking for things which do not leave us with totally redundant white elephants as much as we are looking for things which can be finely tuned into being the most appropriate response to our poorly perceived demands on the health service.

Thirdly, it should try to find a way of relating strategic parameters to current action. It should be based not on huge, detailed strategic plans, but on identifying what really are the critical things that the organisation will have to stand up and look at in strategic terms. It needs a discriminating diagnosis of what is important to the future of the services provided to try to relate this back into the kinds of choices being made currently. That may involve developing new methods of analysis, for example, to trace out combinations of affordable standards; not whether we can actually provide beds against the kind of norms that are specified, but what combinations of different kinds of surgical beds, different kinds of general medicine, different kinds of community-based facilities, different kinds of psychiatric facilities we are able to provide given the resource base that we would anticipate.

Fourthly, it should allow an explicit analysis of qualitative factors which are increasingly important as a basis of our understanding of what is going on in the world.

Fifthly, it should provide a basis of dialogue, because planning, in my view, in the future, is fundamentally about discussion. It is not about finding best things to do in any objective sense.

Lastly, and by far the most important, planning should provide a basis for monitoring and learning. In a sense it does not matter what we do as long as we then test that out and try to do it better next time. We put far too much energy into the question of trying to design *the* best system without necessarily seeing that what we should be doing is trying to do something, getting it off the ground, monitoring it, and learning and improving it as we go along. Because, frankly, our capacity to decide what is the 'best' solution is appalling. Our capacity to try things and to learn from them could be very much greater than it is now. I would like to see that developed as an important influence in the way we approach our planning.

I would argue that this amounts not just to a technical improvement in our planning methods, but to a fundamentally different approach: one which is more realistic, one which is sensible and has reasonably modest ambitions.

The second area which I should like to pick up very briefly is an attempt to ensure that we have a realistic diagnosis of the logic of the problems that we are dealing with. I should like to give perhaps two illustrations of this. First, much of the discussion that has taken place about performance indicators, and their application to make comparisons between District A and District B, has entirely ignored the impossibility of getting any serious insight into the variance in those indicators between what District A and District B are doing unless we have much more disaggregated but congruent information within the organisation. I should like to suggest that the attempt to hold districts accountable through performance indicators, if we are to go down that line, depends critically on the development of management control within the districts. Only then do we have any realistic basis on which to explain why it is that we seem to have a different performance on that indicator from anybody else's. The idea that one can look at the district as a black box against an aggregate performance indicator, and an aggregate set of variables which might explain the variance, is unconvincing at other than the most gross level. Hence, what we should be doing is to try to make a linkage between the kinds of demands that are being made in development of performance indicators and the way that we are running our organisation internally to develop the information which will enable those kinds of variances to be properly observed and understood.

I think we find the same kind of issue in relationship to the question of equalisation in periods of decline. We are now talking of moving away from a principle of equalisation through differential growth into equalisation through differential taxation. I do not know what the systems have been like in other regions, but in the one in which I am primarily involved we have had a long debate about whether the allocation of cuts should be based on distance from RAWP targets, or whether it should be based on total revenue, and so on. The interesting thing about this debate is that there seems to be very little underlying principle to it, as opposed to one district arguing 'we like X

because it actually minimises the cuts', and another district saying 'we like Y because it gives us a greater gain'. We have to get beyond that. The difficulty in all of this is that in the very pragmatic way in which we adjust to all of these things, there is a major resource which is going to the wall, that is the resource of investment. If we look at the health service and organisations within the health service, one of the scarce resources in all of that is pump priming money, the capacity to get something started which will yield change, which will alter our commitments to revenue expenditures in the future. I find it very surprising, again looking at it as an outsider, that any organisation can seriously attempt to cope with a changing world while having a one hundred per cent commitment of its resources. Every organisation needs some margin to work with. In industry, for example, nobody in their right mind would think of running a system in which they had entirely committed their resources up to the hilt, because it leaves no investable margin of any kind.

Somehow or other we have to redress that balance, and it is obviously particularly difficult to redress that balance in times of decline. My suggestion, therefore, that we should at least consider what I think are becoming known in the trade as 'big bang' strategies of resource adjustment, namely, that instead of following the one-half per cent down year on year and year on year, we actually try to take three or five per cent straight out of the system, and to use the margins that are created by that as a way of developing investable pump priming type resources. It also has the advantage in that it cuts down the uncertainty which people within the organisation will have to face. At least they know that they will be running a smaller system than they did before, and in many ways a lot of people would prefer to have a lower expenditure with certainty. Those are the kinds of trade-offs that we shall have to look at.

Related to that is the fear that if one does that, the region comes along and takes the cash away, and then sooner or later people will learn that lesson and not do it any more. So we must talk now about a quite different kind of strategic contract in which regions might say to districts: 'Prepare for us your strategy for how you intend to shift resources within your organisation. Some of that may be taxed, and we shall tell you in

advance how much of it will be taxed. The rest of it is available for redeployment.' That kind of trust and assurance between district and region I do not think exists within our system at the moment, and because it does not exist, this forces us further and further back into the kind of ossification in which nobody can actually change anything because there are no margins. That in my view in periods of decline of resources is a fundamental issue and one that we really have to face up to. The contract approach also puts the district strategies for change at the centre of the picture in a way which would facilitate their accountability for its management and implementation.

The last point is one which is very close to my heart. It is that we cannot do any of these things without developing managers. We cannot do these things in a disembodied way which says 'we have good systems . . .' yet the managers do not know what it is about, or are struggling desperately hard to understand, and are technically or attitudinally not equipped for it. I again think that if one wanted to make a big criticism of the National Health Service, not individuals, but the way the system as a whole operates, which has been shown up by reorganisation, it is our lack of attention to the systematic supply, education and development, and career planning of our major managers. Many of those who are running finance departments with 50 per cent of their establishments still empty are the beneficiaries of the point I am making. Equally we could look at nursing, and the crises there have been in most regions in the recruitment of Directors of Nursing Services. Equally we can look at administration and we can see the kinds of problems that have surfaced, mainly represented by vast over-promotion; people who are on Scale 4 getting Scale 23 jobs in one fell swoop, going right into the front line of major unit managers.

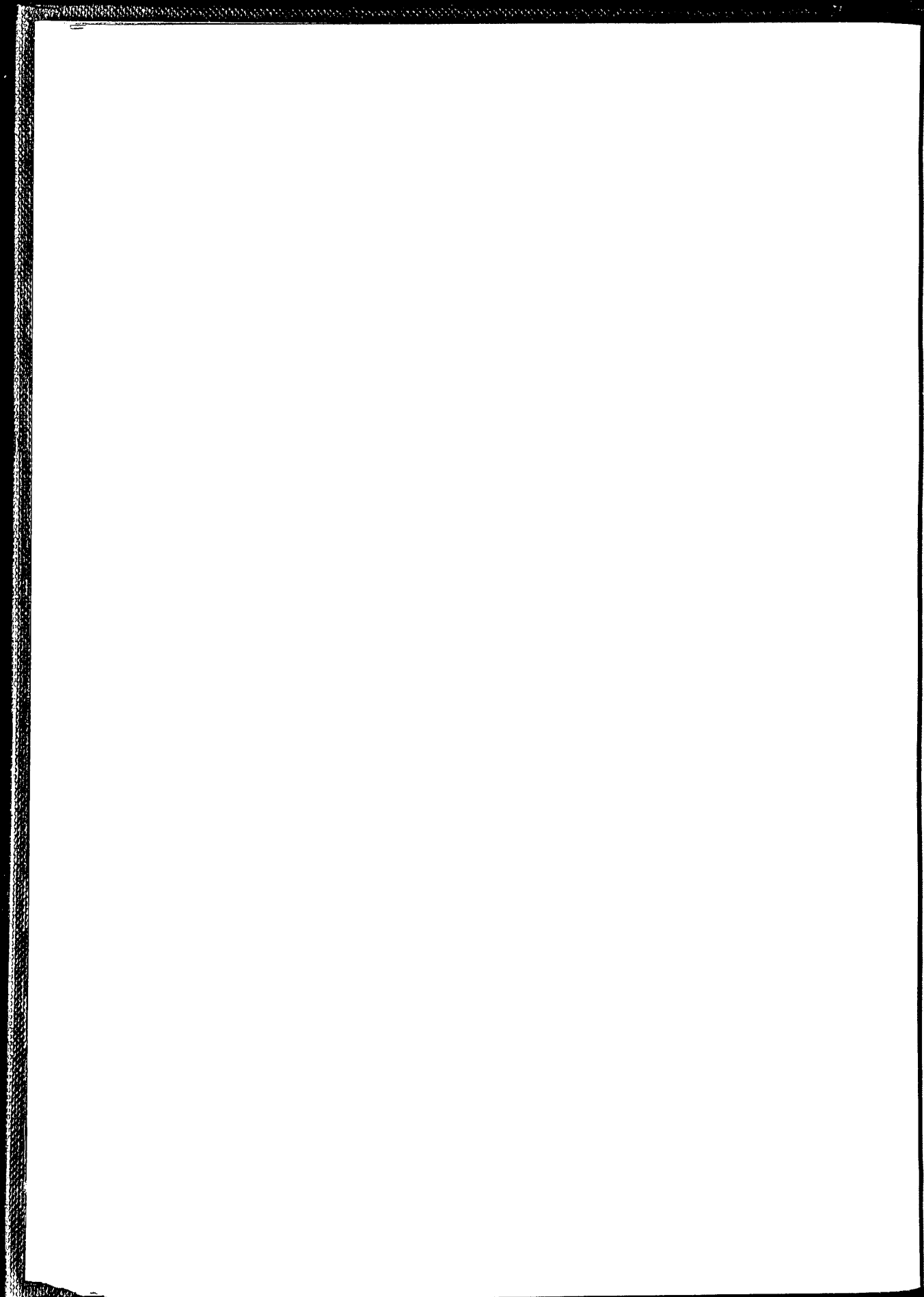
All of that is a catalogue of our past mistakes. We cannot get these sorts of things together unless we have a systematic programme for the development and education of managers, and the recruitment and training of managers.

### *Conclusions*

In conclusion, the problem for top managers is to put all of this together, not to have isolated development of systems, isolated

development of strategies, occasional development of managers, but somehow or other somebody has to weld this together into a corporate strategy which goes right across the board. This needs imagination. It needs the capacity to imagine other than what already is. I am very fond of using a quotation from Yeats in this regard which says 'In dreams begins responsibility.' In my view, in a changing world, the manager who is just good at going on doing what we have always done is neither a good nor a responsible manager. It is the capacity to shift it, to imagine change and to put all that together into a coherent response that is important. The critical thing is that we are realistic about what will happen to us in the service if we do not do this; namely, that in ten years' time we shall be playing in a much more sophisticated and much more complicated game with the same systems that we have got now, and that will hurt.

Could I conclude with a story which for me at least exemplifies very clearly what I mean by realism, as anticipating the consequences of what one is involved in. It is a story about a representative woman from each of the three major American women's colleges, Smith, Vassar and Radcliffe. They were all, on a television programme, asked 'If you were isolated on a desert island with a man, what kind of a man would he be?' The girl from Smith said, 'He would probably be good looking and strong'. The girl from Vassar said, 'He would be romantic and a good lover'. The girl from Radcliffe said, 'He would be a competent obstetrician'. My case rests.



TOM EVANS and ROBERT MAXWELL

Griffiths: challenge and  
response

THE widely differing reactions to Griffiths, ranging from total acceptance to almost total rejection, are not simply a normal reflection of political controversy.\* They also stem from the basic characteristics of the report itself, which is starkly unlike most such documents in both its weaknesses and its strengths. It is consciously impressionistic, reflecting the perceptions of a team of businessmen, who have examined the way that the National Health Service is run and have made recommendations based on their own experience as managers in other fields. Almost no facts are produced to support the team's diagnoses, and the evidence, such as it is, is anecdotal. There is little explanation of the reasoning behind the proposals, which (despite the Secretary of State's disclaimer) call for fundamental change.

Thus the report lacks the merits of solidity of evidence and exposition of many documents stemming from previous inquiries. Since it denied itself these advantages in the form it takes, it stands primarily as a critique. In that it is pertinent and timely. Its diagnosis of the reactive nature of most NHS and DHSS management, and of the lack of management data on consumer views, is useful and suggestive. Not surprisingly, the team is less convincing in its prescriptions than in its basic diagnosis, for it is not always sensitive to the ways in which the health service is genuinely different, nor has it been able to resist entirely the pressure to present instant solutions.

Whether the report is 'good' or 'bad' depends entirely on how it is used by the NHS and by government. We suspect that Roy Griffiths would himself welcome that verdict, for what he set out to do was not to write a report of great weight and elegance, but to help in the real world. If it is well used, this could prove to be the most helpful document yet written about the management of the National Health Service.

Thus the report should not be dismissed for its weaknesses, real as these are. Still less should it be adopted as an instant panacea, for that way lies disillusion and yet another discrediting of management in the NHS. Indeed Roy Griffiths' diag-

\* This paper was a submission to the Select Committee on Social Services in 1984.



nosis would be only too clearly confirmed if the best the NHS can do with his report is first to bicker over it, and then to be pushed into a stereotyped course of action by it. It needs to be *used* imaginatively, intelligently and purposefully by all those responsible for running the service.

To do this requires forming a view about the relative importance of the various recommendations in the report, and also differentiating between what requires immediate action and what is necessarily evolutionary. For much of the report is actually about changes in attitude, understanding and expectations – about the style of management – which can be facilitated by some action now, but also depend on coherent strategies for change over time. The Griffiths' critique of the passiveness and lack of vision of the way the service has been managed is not the less powerful for being intangible, and resistant to gimmicky solutions.

To date most of the controversy about Griffiths has centred on the appointment of general managers at the district and unit levels. In our opinion, that is a mistaken focus for three reasons, which are more fully developed in later sections of this memorandum. First, the recommendations about the centre – particularly the proposed management board – are actually far more radical, and more important in developmental terms, than most commentators have recognised. Second, the acrimonious disputes about likely winners and losers in the general management stakes are much less vital than the implied shift in style from passive to active. Third, the relatively decentralised structure of the National Health Service requires that health authorities should themselves choose, within reason, the formula for general management most appropriate to their circumstances, and the path by which they will move towards it. These views are interrelated. Provided that there is an effective management board, including a Director General of substance, one of the board's key tasks in its early years will be to develop the general management strand at all levels in the NHS. Without that sustained commitment, there is simply no chance that the revolution that Griffiths seeks will take place.

Apart from anything else, the idea that the NHS is over-managed is a myth that has to be dispelled before much progress can be made. If most managers in the NHS are barely

coping with day to day events, the reasons lie largely in the real difficulty of their jobs and the chronic lack of sufficient investment in management recruitment and development in the service. Probably the members of the inquiry team recognised this. If so, it is a pity that they did not say so in their report. Otherwise the criticism of NHS management sounds slick and patronising.

The team undoubtedly discussed with many people the crucial issue of professional clinical autonomy, and the extent to which that does or does not shape the general management task in the NHS. Roy Griffiths and his colleagues apparently concluded that in essence the NHS was no different in this regard from any other organisation containing substantial professional components within it, such as large professional partnerships. We believe that they underestimated the problems posed by the need to meld the key professional groups – particularly medical and nursing – into general management. Each group has its own tasks, skills, discipline and organisation. The current management arrangements (whatever their faults) recognise these differences and seek to cope with them through representation of professional groups within the management structure. As Patricia Day and Rudolf Klein have well identified<sup>1</sup>, the Griffiths' model differs fundamentally, and in effect makes the resolution of professional differences a task for general managers. That is an approach taken in health services in several parts of the world (and, incidentally, in many private sector health organisations). What nobody should assume, however, is that it actually alters the fundamental need to understand, work with, and gain trust from the health professions at every general management level in any health system.

Our own impression of the state of management in the NHS and the DHSS – coming, as we have done, like Roy Griffiths and his colleagues from outside the NHS – is that there are larger and more subtle difficulties than the inquiry team's report recognises. Nevertheless, as we have already said, the report's critique is useful and suggestive in two particular ways. It seems to us absolutely right in calling attention to the lack of awareness of consumer views; and it is largely correct in saying that from DHSS downwards the management function behaves as though it is content with keeping the service together some-

how from day to day. Both those criticisms have substantial elements of truth and to raise performance in these respects will be enormously worthwhile.

Finally in this overview of the report, the Griffiths' team underestimates just how good the National Health Service actually is. Surprisingly enough this is even true of its management, when compared with other systems. Individual hospitals may not be as well run as in the private sector or North America, but the system as a whole is better adjusted to the key management task of providing value for money on a basis that is moderately fair to all, than any other health system in the world. In responding to Roy Griffiths' critique we should recognise that strength and build upon it.

### *The national level*

The supervisory board, chaired by the Secretary of State, is not a particularly radical concept. The NHS Management Board is. Here the Department's accompanying notes (sent by Mr Fowler to RHA and DHA chairmen on 25 October 1983) are grossly misleading. If the management board means anything, then it *must* reshape radically the principal relationships at national level. The Director General must be accountable to the Secretary of State (and through him to Parliament and the nation) for the performance of the National Health Service, within the broad framework of legislation, policy guidelines and financial allocations laid down by Government. It follows that the relationship between, for example, regional chairmen and the Secretary of State will change. They will no doubt continue to have direct access to him, but the test will come when any chairman seeks to 'appeal against' a decision of the Director General. Similarly the professions will, in many instances, have to do business with the Director General. The Secretary of State will have to be scrupulous not to intervene in the operational management of the National Health Service, however much he may be tempted to do so. The idea of the management board also implies a major reassessment of the working and role of some aspects of the DHSS. The new arrangements will only work for good if space is created in which the management board can in truth manage, and can in turn create space for the

health authorities to do so. This means far less intervention in detail by Ministers, far less direction by the Department, and far more coherent, sustained leadership by the Director General.

The role of the management board is summarised in the inquiry team's report (para 3) as being 'to plan implementation of the policies approved by the Supervisory Board; to give leadership to the management of the NHS; to control performance; and to achieve consistency and drive over the long term.' A fundamental task, as we have already implied, will be to create space, opportunity and incentives for managerial growth in the National Health Service. The board must also redress the balance between short-term directives to the service (of which there is a surfeit) and sustained concern with the medium and long-term (of which there has been too little).

The board will need to grapple constructively with the issue of centralisation versus decentralisation, which is as old as the service itself. It must be able to sponsor innovation; to encourage regions and districts to try imaginatively different approaches and compare results; and to emphasise and develop facets of management, such as the assessment of quality of service and of consumer views, in which the NHS is weak. It will have to have a strategy not only for 'implementing Griffiths' in the broadest sense, but for sustaining and developing the National Health Service as a whole.

The management board is going to have to earn the respect of the National Health Service, while retaining the confidence of the Secretary of State. Its relationships with the service must certainly not be directing and controlling in any outdated textbook sense. For example, it will constantly need to encourage, enable and protect, at the same time as guiding, examining and calling to account.

The key figure, obviously enough, will be the Director General. If he is anyone of less than outstanding calibre, or lacks dedication to the National Health Service, the whole idea of a management board is much better scrapped. If he comes to the job knowing little about health care, then he is going to have to learn fast, and demonstrate that he is doing so without arrogance.

Roy Griffiths and his colleagues have proposed six other

functions within the management board (namely personnel, finance, procurement, property, scientific and high technology management and service planning). We do not quarrel with this list, except that all the functions need clearer definition and some development, particularly the last two. Thought must also be given to where suitable recruits can be found, and to the building of the board as a corporate whole, including within it a balance not only of functions, but of skills and experience, and of executive and non-executive responsibilities.

There must from the start be a balance and comprehensiveness to the way the board sees its role. Equally it must exercise self-discipline in selecting what it will do, and in what order. For example, it might well decide to move (say) on the personnel function first, even though that means other members of the board restraining themselves for the time being. The board has got to build a track record of success, which it will not do if it tries to do too much too quickly. Moreover the National Health Service must have clarity and stability of direction, not another spate of stimuli that lack overall coherence.

#### RELATIONS WITH THE SECRETARY OF STATE

The relationship between the Director General and the Secretary of State is always going to be crucial in the Griffiths' model – most of all, perhaps, in the early years, until a stable and successful pattern develops. The Director General will have to be responsive to political realities, and must retain the Secretary of State's total confidence, while concentrating on his own particular task of providing overall leadership for an organisation of a million people.

For his part, the Secretary of State is going to be in an especially difficult position initially, in having to hold the service and the professions more at arm's length than in the past, to give the management board the space to prove itself. He will be investing in the board collectively and individually, in order to achieve better management of the NHS in the longer term.

It follows that the Secretary of State will need to be able to justify his 'hands-off' stance, to lobbyists and critics within the NHS, and to the public more broadly. This calls for a very clear, if informal, 'contract' between the Secretary of State and the management board about the board's responsibilities, aims

and mode of operation. Moreover this understanding is not simply a private matter: it has to be explained and justified more publicly than that. The Secretary of State will also need from the management board the regular, reliable and up-to-date information on performance without which he cannot possibly sustain a 'hands-off' position for long.

#### RELATIONS WITH PARLIAMENT

The establishment of a management board will not, as we see it, alter the need for parliamentary scrutiny, nor its principal modes. It should indeed offer the opportunity to make scrutiny more useful. The Public Accounts Committee has been concerned that the NHS is largely unmanaged by the Department of Health, and has criticised the lack of information available to it, and the weakness of many of the management systems within the service. The Social Services Committee has drawn attention to the lack of coherent strategy, or of the intelligence (in the sense of information) on which a strategy could sensibly be based. The management board will have to demonstrate that it can respond to such criticisms better than the Department was able to do.

Parliamentary questions provide an important means of exercising oversight, and they will undoubtedly continue. Part of the 'contract' between the Secretary of State and the management board is going to have to cover the way in which these are answered, since Parliament will certainly not be satisfied unless it knows that questions are dealt with scrupulously, and that lessons are learned from them, and action taken when appropriate.

In addition, more systematic modes of exercising oversight need to be developed – on the aims and strategies being pursued by the NHS, on resource allocation and use, on priorities, and on the quality of services actually given. A casual approach to these matters simply leads to frustration on the part of MPs, defensiveness on the part of the bureaucracy, and no effective oversight over the way the National Health Service is run. An encouraging aspect of the Griffiths' proposals is that it would become vital for the supervisory board that more systematic and effective approaches to monitoring be developed, and that it should be able to share the results with Parliament.

## RELATIONS WITH THE DHSS

The DHSS, on the health side, has had to combine the functions that are common to any department of State (advising its Ministers, formulating legislation and national policy, monitoring services and so on) with the management of an enormous and highly complex service. While under the Griffiths' proposals the management board and its support staff will be within the framework of the department, it is important to distinguish these two sides of the department's activity and to imagine how they will continue. Clearly the first of its functions, that of political administration, is undisturbed by the Griffiths' proposals. However, it is important that the second function, that broadly of the corporate management of the NHS, be related directly to the establishment of the management board. This has fundamental implications for the role, organisation, staffing and modes of operation of large parts of the department. But if the challenge of clarifying the responsibility and lines of management of these departmental activities is ducked then the legacy for the management board and the NHS is unenviable. A shift of this kind has been foreshadowed, some years ago, by the three chairmen's review,<sup>2</sup> and will need to be considered once again and carried through into action. Some activities, such as those of regional liaison, would need to be incorporated into the support staff of the management board. In other cases, such as the complex structure of professional advice (medical, nursing, works), more hybrid solutions may be appropriate. Some of the professional staff would be necessary to sustain the corporate function of the management board. Others more properly would be located at region, since it is crucial to the success of the management board that its staff remains small and clearly relevant to the conduct of its corporate function. To achieve this it must delegate with greater determination and clarity of role than the department has been able to do. (This incidentally does not imply criticism of individual civil servants who could not be expected to reform their activities in the absence of some basic reshaping of the central management structure, such as is now proposed.) Furthermore, some of the people and skills most appropriate to the corporate level may be found amongst those currently in the NHS. The reallocation of work and

personnel to corporate and regional levels should be based on suitability not merely on their current location.

#### RELATIONS WITH THE REGIONAL HEALTH AUTHORITIES

It is inevitable and right that the chairmen of RHAs should continue to be responsible to the Secretary of State, and continue to have direct personal access to him. It is equally inevitable that if these links are used to undermine the Director General the latter's role will be unsustainable.

To this paradox there is no simple, structural solution. It will require a strong sense of collective purpose and trust among the individuals concerned, and a clear demonstration from the start that the Director General is going to use his authority in substantial measure to allow and encourage RHAs to manage the affairs of their regions. He will indeed call them to account, but in the clear understanding that he will also give them the elbow-room to do their jobs.

#### *The district and unit levels*

Viewed from the district level there is a sense in which the Griffiths report offers a real opportunity. If the management board conceives of its role and its duties in the way that we have outlined above, substantial discretion could be delegated to district to analyse its managerial needs and resources and to shape its own strategic approach to the management of its affairs. Such an approach would stimulate innovation in place of what has been a monolithic and often pedestrian approach to management structures and practice. The imposition by the Secretary of State of specific requirements for management arrangements would have the opposite effect.

The most important consideration for districts is the need to relate and take a coherent view of the several elements identified by Griffiths, namely general management, responsibility at unit level, clinical involvement, concern with effectiveness, budgeting and consumer satisfaction. It is easy, and misleading, to separate this set of issues into specific prescriptions (for example, the appointment of general managers) and technical questions of management systems (for example, clinical budgeting). The problems of managing a district can never be resolved



merely by structural change or by technical innovations. What is required is a strategy for change of attitude and understandings, and for the development of processes within the organisation. We agree with Griffiths that the key to this is the identification and fostering of a general management role, with the responsibility to design and accomplish change throughout the organisation. Once again one cannot advance on all fronts at the same time. Strategies for change must be discriminating but coherent and must embrace a consistent sense of purpose.

However, if the concept of general management is so central, we must be clear of its meaning and the forms it might take. Griffiths restricts the idea unnecessarily by focussing on the general manager as an individual rather than on general management as a function in the organisation. Recognition of 'general management' as the responsibility of the group of senior managers, allows us to avoid the polarisation of individual and team which many have been read into Griffiths' recommendations. Senior management in the modern world is about the effective working of teams, though, of course, not necessarily involving the 'consensus' relationship within the team which characterises the NHS.

A clear appreciation of this point might enable districts to avoid the most likely, and unfortunately the most destructive, pathology of the general management idea, namely the loading of all responsibility onto a 'superman' figure and the withdrawal of other senior managers into a more restricted role than they currently fill. This illustrates the importance of thinking through the nature of senior management as a whole as a basis for determining the role of a general manager or CEO. One of us<sup>3</sup> has suggested three possible models:

*Nominal*, in which one of the existing team is designated as general manager while retaining his existing responsibilities.

*Supernumary*, in which one of the team is appointed to a new post of general manager and is replaced in his old post in the DMT which remains structured as before.

*Executive board*, in which the DMT is changed into an executive board with a CEO and a distribution of responsibilities which reflects management functions rather than professional representation.

In our view, the nominal general manager would be a disaster. We would like to see an evolution from the supernumary general manager to the executive board concept. In every model there is also the crucial question – unaddressed by Griffiths – of how the general management function dovetails with professional structures.

Whatever model is adopted, the important issue is the development of a coherent senior management at district which can plan, guide and implement strategies for changes in attitudes, understandings, involvements and processes throughout the organisation. This would give rise to a more purposive and coherent management style embracing units, clinical involvement, budgeting, and so on. We do not believe that these desirable changes could be approached usefully by prescriptions as to unit management, or budgeting mechanisms, or whatever else, from outside the district. Of course, the district managers should be held to account for their performance in achieving real progress in these dimensions.

Though we would emphasise the need for other changes within the district to be the product of an organisational strategy formulated by its senior managers, it may be helpful to offer some comments on some of the associated issues raised by Griffiths.

The King's Fund has recently published a book<sup>4</sup> which discusses approaches to unit management in more detail than we could offer here. In some districts real progress has already been made towards establishing the unit level as the major discretionary tier of management, not only in the control of operational activity, but also in formulating strategies for change in the means of providing given services, in assessing effectiveness and, potentially, in the control of quality of service. Regrettably this is by no means universally true, but where units are developing momentum it would be tragic if the implementation of Griffiths were to negate it. Elsewhere the stimulus of Griffiths must be used to put pressure on those DMTs which are still controlling all activities within their districts on a tight rein. Once again this leads us to support the argument for discriminating implementation, in which the needs and potential of the local situation fashion the pace and direction of change.

Of course, discriminating implementation leaves open the

possibility of some districts dragging their heels. To overcome this, regions should be charged with the responsibility to audit, through their review mechanism, districts' analyses of their local situation, their plans for implementation of the Griffiths' principles, and their progress over time towards achievement of those plans.

The involvement of clinicians in management and their accountability for their use of resources is a central element in the managerial revolution in the NHS which could be achieved through the sensible implementation of these proposals. However, the involvement of doctors must not simply be tied to the development of budgeting systems. There is a tendency to think of clinical budgeting as though the challenges were primarily technical, and hence as though what is needed is primarily accountancy tricks of cost recording, cost apportionment or setting internal prices. On the contrary, the greater task is that of persuading and accustoming doctors to managing resources consciously and deliberately rather than unconsciously, and the development of social processes through which their activities and uses of resources can be evaluated. While there is undeniably growing interest in these issues, the subtleties of successful practice have not yet been widely demonstrated. Moreover, clinical involvement in budgeting cannot be sustained in the long term unless it grows into the areas of budget setting, planning and priorities. All of this will take time, trust, and a great deal of energy. What we should be looking for in the first instance is the strategies of senior management for promoting the involvement of doctors and other professionals in resource management and planning.

Again the emphasis is on the coherence and determination of senior managers in effecting change rather than on specific prescriptions. We ought to expect such coherence and determination, and be prepared to monitor the achievement of change against agreed targets. The capacity of district senior managers to think these issues through, to produce strategies for change and to be held accountable for the achievement of those strategies, would only be inhibited by initial directives from above about unit management, specific prescriptions for budgeting arrangements and so on. The other side of the same coin is that, given the responsibility to plan and manage change

in the district, there will be no acceptable excuses for non-achievement.

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By this time the Select Committee will be only too well aware of the strong reactions aroused by the Griffiths report. Those in favour of the report and those against share at least one thing in common, which is a tendency to take it far too literally. Its greatest strength is, we believe, as a diagnostic critique. If that critique is accepted, then the responsibility for responding constructively and successfully lies not with Griffiths but with those who hold leadership positions in the department and the National Health Service.

In the short term there are, we think, two chief priorities. The first is to choose an outstanding Director General and get the management board off to a successful start. The second is NOT to inflict upon the NHS a standard 'charts and boxes' appointment of general managers. Roy Griffiths and his team have provided a report that could ultimately bring great benefit to those served by the NHS and those who work within it – provided it is used well, not followed slavishly.

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ROBERT MAXWELL

Unfinished business:  
a progress report  
on Griffiths

WHEN I was drawing together my thoughts for this progress report on Griffiths, I happened to be a hospital inpatient. My problem was a simple one – an acute infection quickly dealt with by penicillin – but for three days I was on my back, almost totally dependent. It was a reminder of the last time that I saw Tom Evans, a few days before his death, in another London hospital. He was vulnerable and defenceless, as all seriously ill patients are, and he knew that he was close to death. On other occasions during his last illness we talked about his experience of the NHS as a user of its services, and the weaknesses and strengths that he encountered within it. My own recent experiences as a patient were trivial by comparison, but important to me in two ways in the context of this article.

First, they served to underline by illustration strengths and limitations of the NHS that were very much in line with the evaluative comments that I (and many others) have made about the NHS, compared with health services in other countries. Technically the care was excellent, so far as I could judge it, in medical and nursing terms. The basic decency and equity of a large public ward also mattered immensely: I much prefer it to any system where wealth or privilege operates. This was expressed in an unforgettable way by R M Titmuss in his description of the treatment that he received for cancer, and his reflections on the equity that he observed.<sup>1</sup> People's treatment (as Titmuss experienced it in his final illness) depended on a whole range of factors (including the vagaries of the London traffic) but not on their wealth, status or supposed relative value to society.

The weaknesses of inpatient treatment, in my own experience, were in part beyond people's day to day control, such as the intense crowding of the ward, the lack of lavatories and washrooms. Others were not. The food was poor. Simple things (lights beside beds, for example) did not work, and staff seemed to have given up asking anyone to repair them. Going beyond these relatively unimportant things was the major failure in communications. Patients are patients, not people. It is rare for changes in treatment to be explained to patients in advance, let alone discussed with them. Staff tend not to put themselves into the patient's mind and hence understand intuitively some of the patient's wants and fears – toileting, for example, is a major

worry and embarrassment if you are dependent on staff help and cannot easily attract staff attention. Moreover very few staff of any discipline talk and listen to patients when they have a moment to spare. Yet that can make so much difference to the quality of communication between the two. If you visit St Christopher's Hospice, you will not spend long there without seeing doctors and nurses sitting on beds talking and listening to patients. It is a habit, and not an accidental one. In the NHS, by contrast, talking to patients is generally not seen as a legitimate activity. Were a student nurse to be doing so, I suspect she or he would be sent off to do something like cleaning the sluice room, which is judged to be more useful and reputable. On the other hand, if you ask patients about staff, I think you will find that they value human contact and warmth much more highly than the NHS does.

The second reason why my experience was relevant to this article is that in the end the management of the NHS must be judged by the service that is given to individual patients, and to the community as a whole. (People incidentally pay far too little attention to this second, community dimension. The NHS should be judged by the services that it fails to give, as well as by those it gives, and for its lack of care to those who are unseen and waiting, as much as for those who are seen and known. It should also be judged by its success or failure in disease prevention and health promotion.) So the bottom line of any assessment of the contribution made by the Griffiths' reforms has to be – as for any evaluation of NHS management – its impact on the service given to patients and to the community. Is it actually making any difference in those terms?

Any answers to that question (at least at this relatively early stage, some three and a half years after the Griffiths' report was published) are likely to be impressionistic, anecdotal and inconclusive. Nevertheless I suggest that we should hold the question in our minds as a touchstone while considering four different dimensions in which Griffiths was likely to have an impact, namely unit and district general management, sensitivity to the views of clients, the relationships between management and the professions, and (finally) the DHSS and management at the centre. After all that, I would like to turn from the present to the future and consider what might come next.

*Unit and district general management*

Roy Griffiths and his team recommended the appointment of general managers at unit level, and at district and region. So far as possible all day-to-day management decisions should be taken at unit (or, by implication, at levels within units), the onus of proof lying on anyone wanting to reserve any such decisions to a 'higher' level. The argument for this was not only to speed decision-making and resolve deadlocks, but to promote a determined and purposeful thrust in the management of services, on behalf of patients and the public, rather than simply drifting with events. In the Griffiths' prescription, physicians, nurses and other health care professionals were to be more involved than in the past in the management of resources, on the grounds that their decisions largely dictate the use of all resources and that they must accept the management responsibility that should go with clinical freedom.

In accepting the report, the Secretary of State emphasised the importance of general manager appointments and laid out a sequence and timetable for them. As a result, most appointments at the district level had been made by early 1985 and the majority of unit appointments were announced by the end of that year.

General management *has* to work within units if it is going to affect the way that services are run from day to day. It is still too early to tell whether the type of arrangements that Roy Griffiths envisaged will become the established pattern in the NHS. Many unit general managers are still relatively new, and their organisational structures, processes and systems even newer. Management budgeting has progressed relatively slowly, and with far too technical an emphasis.<sup>2</sup> The same is true of information systems. What matters is whether all concerned can discuss choices, intentions and performance in a way that relates inputs to costs to quality of care and to results, and whether as a consequence their efforts are drawn coherently together so that patients and the community are well served. That is only partly a technical problem (although people will become increasingly frustrated if, for example, financial information does not bear on what they know to be the real choices).

There is no cause to be pessimistic about the practicability and appropriateness of running hospitals on general manage-



ment lines, though stresses (to which we will return) have already emerged in the relationships between general management and nursing, and there is much still to be done to win the understanding and commitment of medical staff. Within units, the effectiveness of the management arrangements will depend not only on clarity about who is in charge, but on trust and shared purpose among all the staff involved. This means, among other things, defining the organisation in coherent, reasonably homogenous chunks, within which communications are good and mutual commitment strong.

To date, the evidence at district is more extensive – partly because people have been in post that much longer – and more encouraging. A substantial number of districts are already being run in a more purposeful way than before the changes. The chapter in this book by Alasdair Liddell provides one example, and others (for example Bath, Brighton, Exeter, Lincoln, Portsmouth or Wirral) are refreshingly varied in their approaches. Issues (such as waiting lists or black spots in clinical services) are being tackled that would not previously have been likely to appear on the agenda for management action. Responsibility for the underpinning of clinical services by efficient non-clinical services and procedures now lies unambiguously with the general managers. And there is a clearer sense of the direction in which district management is trying to go. Distinctive district styles and cultures are evolving. To date, these are probably the biggest real gains from Griffiths.

The change is by no means complete yet. Nor is it uniform. Tom Evans was among the first to emphasise that for general management to mean anything it has to involve much more than a few top appointments and the adoption of textbook managerial systems. It is far more radical and pervasive than that, and its introduction calls for a sustained effort over a long period. This is not only a matter of responding to current needs, but of developing the capacity of the unit, district or region to respond more confidently and competently in the future. The gap is widening all the time between districts that are serious about this, and those that are willing to settle for cosmetic change. The difference between the two groups lies partly (as one would expect) in individual personalities and the calibre of management, partly in the toughness of the strategic circumstances that

the districts face, and partly in the interface between management and politics. A few districts are, through a combination of these factors, virtually ungovernable.

In districts then – and still more within units – the position is very mixed. At best, however, there is a stronger sense of managerial purpose, and already some real results to show in terms of demonstrable benefits to patients and the community, which are the only terms that ultimately matter.

### *Sensitivity to the public*

Very few people quarrelled with Griffiths' comment that those who ran the NHS knew too little about the experience and perceptions of its services by patients and the community. The NHS has long had the characteristics of a vast paternalistic, bureaucratic system, not by any means intentionally unkind, but lacking awareness and responsiveness. So Griffiths struck a chord. However it was not at all clear whether he intended to point simply to the lack of the market data and the consumer orientation that one would expect to find in any service organisation operating in competitive markets, or whether he also recognised the far more difficult dimensions of shared decision-making in the National Health Service. Individuals should so far as possible take decisions about their own care, with professional advice and support. At the community level, management is publicly accountable in a much fuller and more complete sense than in a commercial company. In the NHS, that accountability is at once local (to patients and the local community), corporate (to those who work in or govern the institution concerned) and central (to central government), frequently with tensions among these various accountabilities. Moreover some of the big decisions about policies, service priorities and resource use should be matters of public choice – not professional or managerial prerogatives – in a public system. Managers therefore find themselves trying to inform public choices and to hold together many different views of what the NHS should be about.

Usually, as Tom Evans used to point out, it is not worth arguing about the literal meaning of Griffiths, but on the topics of consumer awareness, public participation and public

accountability, we have to clear our minds about what we are trying to do. Apart from the intrinsic importance and complexity of these topics, views about present progress in implementing Griffiths are bound to vary according to one's definitions. Thus, a start has been made on better information and greater consumer awareness. Many districts have appointed senior managers with (for the first time ever in the history of the National Health Service) quality assurance and consumer relations in their titles and job descriptions. These people are working out how best to tackle their new roles. Market research, opinion sampling, analysis of complaints, community surveys, are all newly fashionable topics and already some interesting findings are emerging.

On the other hand relatively little progress has yet been made on the patient autonomy, public participation and public accountability fronts. Indeed members of health authorities, most of whom have found their roles frustrating, may feel that the position is even worse than it used to be. Stronger management need not be in conflict with real public participation and effective public governance. Indeed it must not be, and that requires attitudes, mechanisms and community development oriented to public accountability in the fullest sense. There are already a few examples of districts that are setting about proving this to be the case, such as Exeter with its concepts of locality planning and control. But there is a long way to go.

### *Relationships between general management and professions*

When Roy Griffiths and his colleagues were finalising their report and checking out their conclusions in informal discussions at the King's Fund, I was concerned that they had underestimated the ways in which medicine and nursing shape the fundamental nature of health care management. Part of what I was trying to express has been better put by Rudolf Klein and Patricia Day in explaining how fundamental is the shift in values from negotiated agreement among autonomous professional groups to a general management model.<sup>3</sup> But I also meant something else. Management in the NHS should do a number of things well that cannot be done in any other way. At the same time, however, it should recognise and protect professional autonomy and professional leadership.

At a conceptual level, I may be saying no more than that the management job in any organisation should grow out of its mission and the nature of its work. In the National Health Service, much of the general management task at a senior level is about resource allocation and about setting a broad policy framework and dealing with failures in performance. Because resources are tightly constrained, resource management is a vital management job. But it is not what the service is *for*, which is to look after people who need health care and to promote health. For the most part these are professional tasks. In an important sense, the general management job should be to try to enable the professionals to do their job as well as they know how, within necessary resource constraints and with unambiguous responsibility for results.

Questions are frequently asked about the implications for the health care professions of general management. Posed in those terms the assumption often seems to be that general management is essentially external to the professions, a tough new directing and controlling presence to which physicians, nurses and others must adjust. Equally however we should ask what are the implications for general management of the roles, motivation, weaknesses and strengths of the health care professions. Professional competence and the sound exercise of professional judgment are fundamental to the performance of the National Health Service, or of any other health care system. That implies an enabling role for general management, as well as setting the acceptable bounds of professional behaviour. It may also suggest that general management is not simply something that general managers do to the professions from the outside, but that it also needs, in the health care field, to be something into which the professions are integrally joined. The Malays have a proverb that clapping with the right hand only, will not produce a noise. That accurately describes the ineffectualness of general management without matching action by the professions.

To take two specific examples, this need for partnership should determine the essence of management budgeting, which becomes a contract about resource utilisation and performance, rather than an imposed external control. It is also fundamental to some vexed questions about nursing management. At the ward level, or in the outpatient department, or in the super-

vision of operating theatres, nurses are both professional managers and general managers. At least they seem to me to be the natural people to discharge the general management function, with direct managerial authority over other disciplines besides nursing. For the discharge of their general management responsibilities, they will answer up a general management line. Equally they must answer along a line of professional support and accountability that may be, but does not have to be, intertwined in the hands of a single nursing hierarchy. The professional line incidentally includes nursing education, nursing safety and standards, and nursing ethics. It is a line that must extend to every member of the profession: if, for example, a nursing student is concerned about an ethical dilemma in the treatment of any patient, professional advice and support should be directly available to that student. Incidentally, in the setting of a ward, or in any other case where a service is provided around the clock, both general management and professional management have to be continuous. The ward sister will herself be on duty only on certain shifts, but the tasks of maintaining purpose and standards on the ward must be managed by her on a consistent basis around the clock, even when she is not present.

Tom Evans made the point, in his last seminar on strategy with Robin Wensley at the London Business School, that any adequate concept of management in any field has to be one that all concerned can share. A partial or partisan view of what management is about – for example in the health care field one that does not fully take on board the nature, stresses and responsibilities of clinical work – is an inadequate and dangerous concept. Moreover the superordinate view that can subsume and reconcile a range of partial views, is unlikely to be the idea that any one individual or discipline had in mind at the start. Such a shared view may be developing in a few localities, but it has yet to emerge and gain broad acceptance in the post-Griffiths NHS. General management will not be fully anchored in the service until it does.

*Management at the centre: the DHSS and the management board*

In January 1984, in our evidence to the Select Committee on Social Services, Tom Evans and I took the view that the recom-

mendations of Roy Griffiths and his team that were associated with the establishment of the management board were just as important as the changes proposed at district and unit. I stick by that view. We had in mind that the fundamental task for the board was to create space, opportunity and incentives for managerial growth in the National Health Service. The board had to be well led. Its executive chairman needed a clear, informal contract with the Secretary of State about the board's responsibilities, aims and mode of operation. In return for guaranteeing to the board elbow-room to manage the service on a decentralised basis, the Secretary of State would require regular, reliable and up-to-date information on performance (in the broadest sense, not merely efficiency or political compliance), so that he could satisfy himself and parliament that the NHS was doing its job well.

Unfortunately, in the implementation of Griffiths, changes in the field have consistently moved ahead of changes at the centre. Victor Paige was appointed as chairman of the board too late to shape (or even much influence) the selection arrangements for general managers at region and district. Initially the board was mainly made up of civil servants, so that it looked much more like a modified piece of the DHSS than like a new bridge between government and the National Health Service. During 1985 the board was strengthened by the arrivals, amongst others, of Ian Mills as finance director and Len Peach as personnel director, so that the board at last began to look fully formed. But early in 1986 the position still was that what the management board was doing corporately (as distinct from the efforts of some individuals) was not understood. There was no general awareness of where (if anywhere) the board was trying to lead the service, nor what it was trying to create. The same was true of the supervisory board, chaired by the Secretary of State.

In June 1986 came the shock of Victor Paige's resignation. Reading between the lines, this seems to have been the result of mounting frustration on the management board's part about its relationship with the Secretary of state. Because the board has no authority independent of the Secretary of State, its ability to deliver depends on the latter's willingness to delegate, and his speed of response to the board's proposals. While there is every

reason to think that the individuals involved liked and respected one another (Norman Fowler and Victor Paige had after all worked closely together in the past), that did not resolve the delays to which every major decision of the board seems to have been subjected. Probably there were also tensions between the Minister of State's role (Kenneth Clark for most of the material period) and the board's responsibilities.

The path chosen out of this dilemma was reflected in the three appointments announced early in October 1986: Tony Newton, Minister for Health, to be Chairman of the board; Sir Roy Griffiths, to be Deputy Chairman, with direct access to the Prime Minister; and Len Peach, previously Personnel Director, to be Chief Executive and Accounting Officer. What this new arrangement does is to bring the political interface within the compass of the board. It is an interesting formula, which could give the board more legitimacy within central government and thereby allow it more freedom of manoeuvre. Meanwhile, there are signs of the board settling into its managerial stride, and making much more impact on the NHS, at least in terms of communication with NHS managers.

The real danger now is that a stronger management board could mean trying to run the whole NHS on a much tighter leash, from the centre, with an overemphasis on short-term performance, narrowly defined. The machinery of regional reviews, performance indicators and individual management appraisal could undoubtedly be used in this way. But it would be a grave mistake for at least three reasons. First, the NHS in England is much too big, too complex and too varied in the local situations to which it should respond, to be run well on the basis of remote control. As with the dinosaur, the brain (if that is how the management board is envisaged) is simply too far from the action and inevitably too ill-informed. Second, the concept of a tightly centralised NHS ignores the nature of the multiple accountability within it, to patients, to local communities and to its workforce, as well as to central government. Third, over-centralisation tends to distort the currency in which performance is assessed, by selecting what is readily measured and politically expedient. The NHS Annual Report in recent years has illustrated this danger, with its attempt to tell a simple story of sustained progress along a sunlit path of ever-more-efficient performance.

Well-run large organisations in the private sector are said to share characteristics which have been described as 'loose-tight'.<sup>4</sup> They are both centralised and decentralised, pushing autonomy down, while being fanatical centralists for the few core values that drive the business. This should be even more the case in the public sector, because of greater complexity, size and sensitivity. Of no organisation should it be more true than of the National Health Service. Typically NHS management has been too timid and too slow. What the management board needs to do is to promote a culture in which each health authority aspires to provide a better service than any other – in which efficiency matters, but in the end matters less than effectiveness – and there is pride in local difference, innovation and enterprise. The message from the centre should not be to get the paper-work right and avoid rocking the boat, but (within strategic guidelines and financial limits) to perform outstandingly in terms of service levels and local satisfaction, even if that sometimes provokes controversy. At region and at the national level the task is not only to set the framework for local action, but also to protect people's backs and give them as much managerial space as possible to deliver locally.

The National Health Service simply cannot afford that the management board should fail, as it has at times looked like doing, or that it should reinforce centralisation. A new management culture in the NHS (with an emphasis on trying new ideas, getting on with the job in the specific local context, and improving performance in terms of quality as well as costs) is an empty hope, unless the board promotes such a culture and stands behind those who seek to run the service in more enterprising ways.

### *Where next?*

There is still an enormous amount to be done in implementing the changes stemming from the Griffiths report. The main gains to date are in more purposeful management, particularly at district and in a number of regions. There is a long way to go before operational management in most units is anything like fully decentralised, integrated with clinical activity, and focussed on overall service performance to patients and to the public.



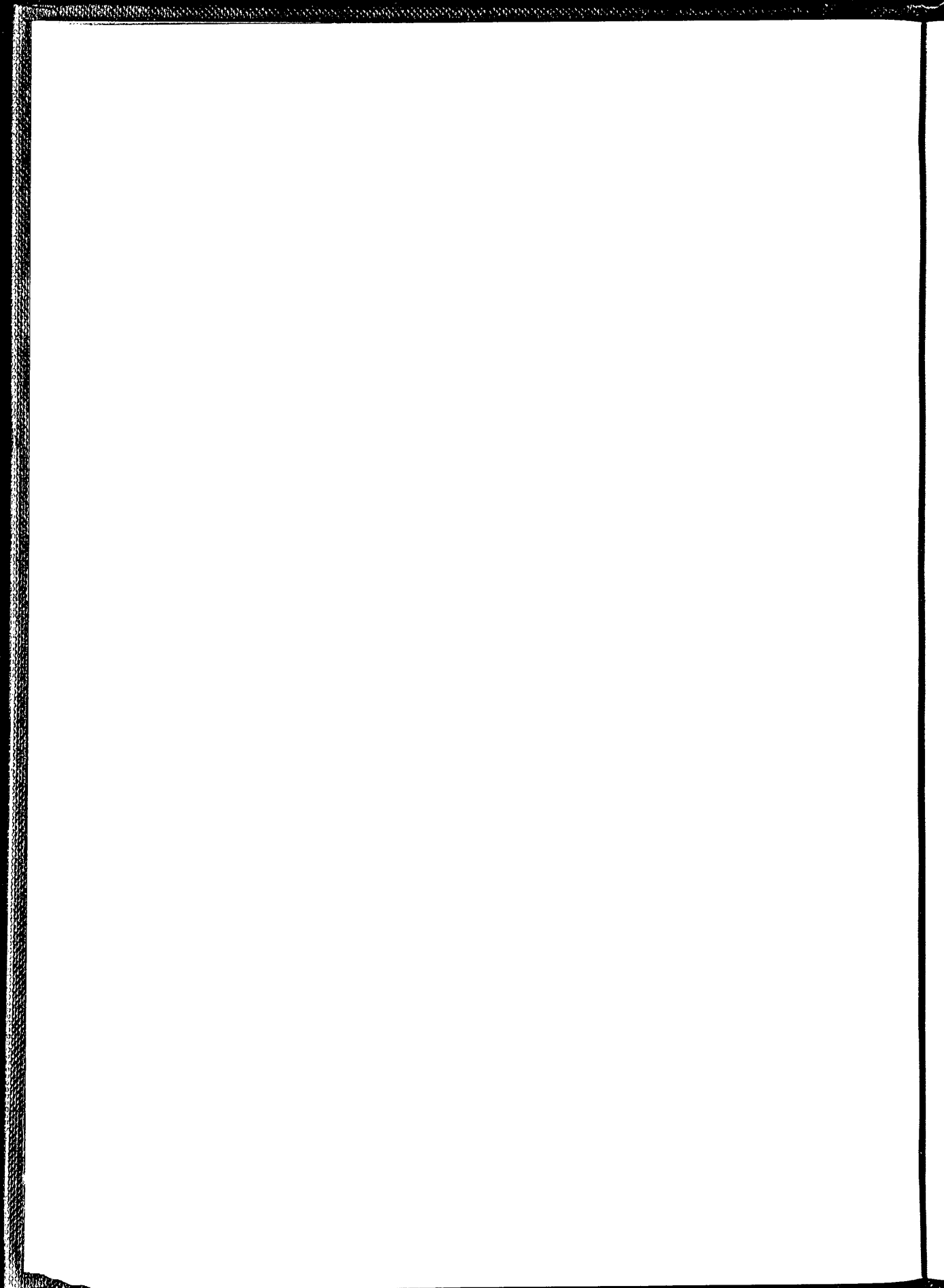
There is, however, no reason why the change should not be achieved given sustained effort, and it is impressive how many people at all levels are committed to precisely that. The biggest disappointment to date is the underperformance of the management board, which leaves the service short of national leadership and fails to provide imaginative support for experiment and improvement. Without such a radical change at the centre, national interventions will continue to be piecemeal, mechanistic and politically expedient rather than providing any sense of long-term coherence, support and vision.

What is at stake at all levels of the NHS is not simply the implementation of Griffiths, but how we use the stimulus and opportunity created by Griffiths to raise the performance of the National Health Service. There is and always has been much that is excellent in the NHS. In many ways however its first thirty years constituted an easier, less testing period for a major public service than the present and the future. Better management is a key to shaping the NHS in its environment, rather than letting it stagnate or be the passive victim of events and political whim.

Tom liked the story of Oscar Wilde's viva in Greek at Oxford when he was given a passage to translate from the story of Christ's passion. The examiners were quickly satisfied by the accuracy and flair of Wilde's translation but Wilde himself was reluctant to stop. 'I want to see how it ends', he said. Were Tom still alive, that would reflect his position, as it does mine. For patients and the public there are already some gains. But there are more to come. We must not let them slip.

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ALASDAIR LIDDELL

General management  
in a district  
health authority

I first met Tom Evans in 1979, when I was just beginning the London Business School's ten week executive programme, and he had just been appointed a member of the health authority for which I was general administrator. It was the morning after one of those heavily indulgent Business School dinners, and I remember picking my way across to his subterranean office in one of the Park Road houses. I sat in his armchair, struggling to keep my brain in gear, while for three hours Tom's penetrating and incisive mind analysed, criticised and then kindly lent shape to what that morning seemed our rather feeble attempts at managing the NHS.

If I learnt then that a clear head was essential before engaging intellectually with Tom, I also learnt about his generosity, and his power to stimulate and motivate almost anyone he met. These characteristics led us to a close working collaboration, and a firm and lasting friendship.

By generosity I mean that he had an unusual power to invest, in those with whom he engaged, a real sense of ownership over the ideas which emerged from the debate. This was in no sense manipulative, but it had a powerful and subtle effect in spreading his ideas, which if we are honest with ourselves lie behind much of conventional thinking about strategic management in the NHS, as they do behind the pages which follow.

Alasdair Liddell

THE introduction of general management is now widely recognised to represent a major cultural shift in the conventional approach to the management of the NHS. But it was not always so. When the Griffiths report first appeared, there were relatively few who recognised that we faced a management shake-up much more fundamental than the barely completed 1982 exercise, which itself had given the promise of 'minimum turbulence' such an unsavoury connotation.

In those early days senior NHS managers and health authority members struggled to understand the meaning of the new terminology, and to grasp the significance of the businessman's approach to NHS management. What did 'control of performance' mean in an NHS setting? Was 'implementation' simply a question of issuing instructions? Did the Griffiths proposals provide an opportunity to be seized, or was it a threat to be diffused by minimising the changes to be made?

This paper reflects one health authority's experience, first in seeking to define what general management was about, and secondly in developing its own approach to the implementation of general management.

### *What is general management?*

The conceptual difficulty, in defining precisely what 'general management' means in an NHS context, might explain the initially somewhat simplistic general response to the management inquiry's proposals. The practical experience of introducing general management in the two years since the report was published has undoubtedly concentrated minds and contributed to a much more general appreciation of the issues, although a few NHS commentators and practitioners are evidently still having difficulty with the concept. But it was the initial perceptions of what general management was about which informed the design of the new management arrangements in each district, and it is these that need to be examined to gain an understanding of the approach adopted. For this reason, this section of this paper relies heavily on a contemporary report prepared for Bloomsbury Health Authority in June 1984, shortly after the publication of the DHSS circular which required the establishment of a general management function (HC(84)13).

The intensity of the debate at that stage is reflected in two initial points made in that contemporary report.

The detail of what Griffiths actually said or thought is of much less importance to us than the opportunity the publication of his report provides for us to sharpen our approach to the management of our organisation.

The second point would not bear repeating if it were not so important. This is that the emphasis in the report, and even in DHSS guidance, on the identification of a general manager might unfortunately give the impression that this one act will solve all the problems. The idea of the general manager as a single, powerful, decisive, autocratic figure makes no more sense in the NHS context than it does in most of industry. Such a simplistic approach to general management would lead to an immediate loss of commitment from senior managers, who might feel no inclination to wrestle with the real dilemmas facing NHS management. As well as being isolated, such a style of general manager would be overloaded, everyone would seek direct accountability to him, and there would be a tendency to bring problems 'to the top', bypassing the established management structure. In the extreme the general manager would represent a separate tier of management, drawing decisions up the organisation, so reversing the progress in delegation achieved since 1982. This would actually diminish the management resource both in quantity, and – because decisions need to reflect different perspectives – quality.

The need to avoid the dangers of an 'autocratic' approach required careful consideration to be given to the role to be performed by the new general managers, and the relationships with other senior managers and professionals at district and unit levels. This in turn required much greater clarity about the *nature of the management task* in the NHS, and the *role of senior management*.

#### THE NATURE OF THE MANAGEMENT TASK

Griffiths is at pains to point out that there are similarities between the task of managing the NHS, and that of managing any other large, complex organisation. Clearly not everyone will share his view, but at the root of such disagreements lie important differences in perception about the managerial role to be performed in the NHS. These differences can be illustrated by contrasting two management models.

The first model may be represented by a small private company, whose managers – the Board of Directors and senior executives – have a sense of ownership over it, and can watch it closely. In this sense the managerial role includes the ability directly to control

- the nature of the business
- the pace and direction of change
- levels of service and standards
- the style and image of the organisation

The second model reflects more closely the view some hold of the NHS, whose managers – authority members and senior officers – are seen performing merely a facilitating role, providing a framework within which the health professionals provide services which they themselves essentially determine. In this sense the managerial role is confined to paying the bills and patching up the fabric of the organisation; it is by its nature reactive and therefore inevitably caught in the pincer of resource constraint and an uncoordinated thrust for development. It is thus not surprising to find that the conflict between the organisation's objectives and the aspirations of some of the professionals who work within it on occasion simply generates inaction and frustration.

These models are, of course, caricatures representing opposite ends of a spectrum, along which Griffiths would like to see a shift in NHS management practice, towards a more purposeful style of management concerned not only with planning but also with implementation and control of performance. It is true to say that some progress has been achieved over the last decade in establishing a managerial role in the NHS – particularly following the 1974 and 1982 Reorganisations; but the Griffiths view is that only by building on these developments to introduce what some have called a managerial culture for the organisation as a whole will it be possible to respond adequately to the challenge of providing the most effective health services within available resources.

#### THE ROLE OF SENIOR MANAGEMENT

Given a move towards more purposeful management of the NHS, what is the role of the senior managers of the service? At district level, a tendency to make more and bigger and faster decisions should be resisted, certainly where these concern the operation of the service. Substantive decisions about how services are provided and how resources are spent should be taken at unit level and below – as close as possible to the actual level of provision; this is so whether these decisions concern, for example, levels of staffing in a hospital department, how best to meet the needs of

mentally handicapped people, or what should be the contents of a clinical budget. These decisions, of course, need to be taken within carefully defined policies and procedures – as Griffiths suggests – and supported by professional judgments to ensure that patient needs are met and good standards of care positively encouraged. It is because unit and departmental managers have operational responsibility that they are in the best position to receive feedback about the effectiveness of the services provided, and to make judgments about competing priorities within their area of responsibility.

The role of senior management has therefore less to do with taking decisions in the conventional sense than it has with *fashioning a direction* for the organisation; this will include a concern with developing a style of management (e.g. delegation downwards, systematic rational decision-making), in changing the characteristics of the organisation (e.g. by developing a responsiveness to individual patient need), and in ensuring that there are effective mechanisms for policy and priority formulation, for implementation, and for monitoring and control of performance. Taken together these aspects of the senior management role involve the development of an 'organisational strategy' which encompasses but goes beyond the conventional *service-based* strategic plan.

It should be clear that this senior management role cannot effectively be performed by one individual alone, whether designated general manager or not, and depends critically on the support and commitment of a senior management team, working (no doubt like any commercial concern) on the basis of consent. At district level the general manager envisaged by Griffiths would be analogous to a company chief executive, primarily concerned with providing an overview, exercising leadership, setting the agenda for change and development, coordinating and getting the best out of the members of the senior management team.

### *Introducing general management*

Having attempted to define and explain this still somewhat alien concept of general management, the authority began to consider how it should be applied within the district. If there was a single guiding principle, it was that the new management arrangements should reflect – indeed be specifically designed to respond to – the principal management tasks facing the district. The first step therefore was to identify these principal manage-



ment tasks. An obvious starting point was the authority's service strategy. The main objectives were:

The development of priority services for the residents of the district;

The integration of the three single-speciality postgraduate hospitals with the mainstream general acute hospital services;

The concentration of the district's general acute hospital services.

Although service plans for meeting these objectives were reasonably well developed, it was clear that the mere existence of such plans was not enough to guarantee implementation. A brief analysis exposed a number of organisational weaknesses which had to be tackled before the service objectives could be achieved. Chief among these were:

The need to develop integrated financial, manpower and activity information and control systems;

The need for effective manpower and management development programmes, to ensure that staff at all levels functioned to the best of their ability, to see that education and training programmes were developed and sustained, and to achieve a widespread improvement in morale, efficiency and pride in the organisation;

The need to develop methods of measuring and improving the quality of the service provided.

These organisational issues were not regarded as less important or subservient to the authority's service objectives, since it was recognised that the implementation of the service plan depended absolutely on the existence of effective organisational arrangements. A lack of short term financial control, for example, would divert management attention and energy from pursuing medium and longer term goals, and even a word-perfect strategy could not deliver high quality services to patients in the hands of a workforce who felt alienated or demoralised. The development of an organisational strategy to tackle these issues was seen to form an integral part of the management task facing Bloomsbury, and therefore necessarily reflected in the management arrangements adopted.

The Griffiths approach required that the general manager should take personal and visible responsibility for the general management function. In practical terms it was clear that this responsibility could only effectively be discharged with the support of a number of senior managers, each with individual responsibility for part of the overall management task. These senior managers would account directly to the general manager, but with him would also form a management board, which would be the main forum for ordering managerial priorities, and ensuring a coherent approach to the managerial issues to be addressed. The management board would incorporate three main elements: responsibility for *operational services*, responsibility for the main *organisational issues*, and a mechanism for dealing with *professional issues*.

#### *Operational services*

Responsibility for operational services represents a substantial part of the management load within any district. Prior to Griffiths, NHS management structures had been characterised by a separation between the operational level and the district decision-making process. The emphasis on the need to strengthen lines of accountability, and the recognition that the best implementers were those with a sense of ownership and commitment to the decisions they had helped to make, ensured that across the country unit general managers were seen as key members of the management board at district level.

The practical difficulty with this approach in Bloomsbury was that in 1982 the district had been divided into eight units of management. To retain this number of units would create an impossible span of control problems for the general manager, and would turn the management board into an unwieldy committee. More significantly, to divide the district into eight independently accountable units would have a powerful centralising effect on decision-making, because many of the key strategic issues inevitably fell between or across units and could only be resolved at district level.

The solution was to group together the existing units into three 'strategic divisions' each headed by a general manager who would be a member of the management board. These

divisions were designed in such a way that a large proportion of strategic issues could be resolved within each division; the aim was to allow the management of change as well as operational problems to be dealt with at a level below the management board.

The non-acute and community services formed a natural grouping for management purposes, reflecting the authority's objective to develop the locally-based priority services. These services each required an entrepreneurial and initiating style of management, but also a strategic development plan which took account of the interaction between them. This was best achieved by grouping them in a single division, which also carried identified responsibility to ensure that local residents had full access to the whole range of the authority's services.

But this division, and the two acute and specialist service divisions, were each as big as many district health authorities, and they in turn were therefore sub-divided into a total of twelve units of management, each with a unit general manager with line accountability to the divisional general manager. The size of Bloomsbury, and the requirement for radical and rapid change in the structure of its services, meant that this somewhat unusual two-tiered approach was the only means of ensuring that strategic as well as operational decisions were forced down the system to the appropriate level.

### *Organisation development*

It was recognised from an early stage that one of the key management challenges was not just to implement change, but to develop the organisation's capacity to cope with change. The aim, in a sense, was to create a different kind of organisation, capable of learning, responding to and even generating change, rather than simply reacting to it. The second component of the management board, therefore, had a strong developmental emphasis to it, with responsibility for tackling the key strategic organisational issues which had been identified as part of the management task facing Bloomsbury. These issues were represented in three management functions, each headed by a general manager who would be a member of the management board;

Finance and systems development  
Personnel and organisational development  
Service evaluation and development

The Director of Finance and Systems Development would carry responsibility to drive through the programme to establish management budgets, and to develop integrated information systems linking finance, manpower, health information and activity data. Although carrying overall responsibility for the formal treasury functions, these would be substantially delegated to a financial controller and the main emphasis of the job would be in developing management information systems.

The Director of Personnel and Organisation Development would be responsible for ensuring that the authority got the best out of its human resources, by developing manpower and management development strategies which focussed on maximising the individual's opportunities for self-development. Personnel administration would be handled within the operational divisions and units.

Perfect systems and highly motivated people are not of themselves sufficient to ensure high-quality services; there must also be a way of measuring performance. Management might be generally defined as the use of resources to provide benefits. In the health service context these benefits – principally improvements in the quality of life – have proved notoriously difficult to measure, but without such measures we can never be sure that we are making the most effective use of resources, or even, at the extreme, that our intervention is justified. The task for the Director of Service Evaluation and Development was therefore to develop measures of effectiveness, with the aim eventually of providing an evaluative basis for choices about changes in services, and in effect for resource allocation decisions between different programmes of care. The objective was to develop an approach which would allow the general managers to take action in response to the following questions:

How effective are we being in improving the quality of life of our patients, and what can we learn from their experience in receiving their health care in Bloomsbury?

These functions represented the critical organisational issues which had to be tackled both to achieve proper financial control

in the short term and to ensure that the longer term service strategy was implemented. The managers heading these functions would have a personal and direct responsibility for a programme of action in relation to these issues; their role would be essentially developmental, and each would need to work closely with the other functional managers and with the general managers of the operational divisions. In effect the functional managers would be creating the environment and the management tools to enable the operational managers to perform effectively.

### *Professional issues*

It was clearly essential that the management board had available to it the advice of the major health professions. But in addition to professional advice – whether general or specific – there was a need to incorporate a medical and nursing perspective into the decision-making process, to ensure that this could deal effectively with the major issues affecting the service. A consultant, a general practitioner and a nurse were therefore appointed as members of the management board. The two medical members were ‘non-executive’ in the sense that they had no executive management responsibilities, but in other respects they were expected to contribute fully to the work of the management board. The nurse member of the management board was the authority’s Chief Nursing Adviser, who was also chairman of the Nursing Professional Advisory Committee.

### *Planning, Administration and Works*

The membership of the management board was completed by the Director of Planning and Administration and the District Works Office.

### *The role of the District General Manager*

What then of the role of the district general manager? The conventional DGM job description – which has a remarkable universality in the NHS, and reflects closely the wording of the DHSS circular – requires the general manager ‘to carry a personal responsibility that the Authority’s health care services

are the best that can be provided within the resources available'. But this requirement, and that implied by the ubiquitous phrase 'planning, implementation and control of performance', are in practice discharged primarily through others, and although they reflect an ultimate responsibility, they do little to inform us about what the DGM actually does.

I suggest there are three key tasks which are more informative about the role of a district general manager – at any rate in those larger health authorities where strategic change is a major issue. These are:

To identify the key issues facing the organisation over the next 3–5 years;

To recruit people capable of responding to those issues;

To enable those people to perform effectively.

Identifying the key issues is perhaps the essence of the job. In most organisations, it is not too difficult to draw up a list of 30 or 50 topical issues; but this is simply counting the trees in the wood. The real challenge is to reduce this to three or four key essentials – no more than that – and then to use every opportunity to focus management effort clearly on these key targets. Identifying, reviewing and prioritising the key issues is a continuous process, which requires a distance and a perspective which is impossible to maintain if the general manager is buried in conventional substantive responsibilities.

Clearly, the selection of these issues should reflect the policy framework set by the health authority, although where the definition of this framework is lacking, the onus will be on the general manager to sharpen it up. Inevitably, this is an interactive process between the general manager and the chairman and members of the health authority.

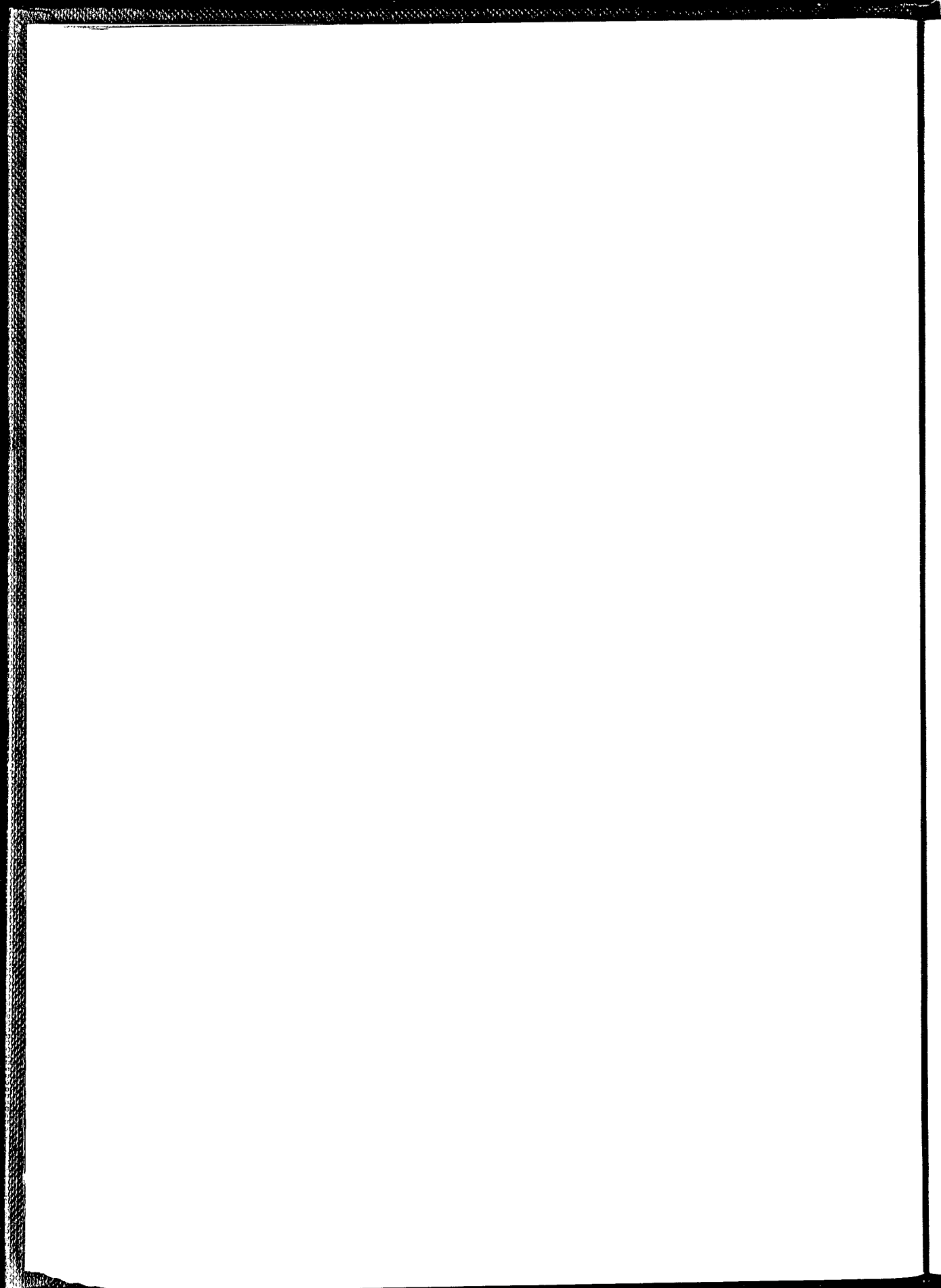
Recruiting people – or providing the right development opportunities for those already within the organisation – is the second main task for the district general manager. The skills of the seven or eight senior managers who will be accountable to the general manager need to reflect the key issues which have been identified.

Enabling those managers to perform – providing managerial space and a degree of protection from external distracting influ-

ence – is the third and last main function. There is a real sense in which the general manager can remove obstacles from the path of his senior managers, without intervening in or undermining their specific area of responsibility; and in the same way it is important for the organisation as well as the individual that some hares are left to run.

Behind this enabling role lies the requirement to 'make things happen', which is explicit in the more general descriptions of the general manager's role already illustrated. But if the objectives are clearly defined, the people fit the job, and the enabling role is performed, it is a great deal easier to discharge that ultimate responsibility, and harder indeed to explain away inaction.

Together, these functions reflect the concept of a general manager described earlier as someone 'primarily concerned with providing an overview, exercising leadership, setting the agenda for change and development, coordinating and getting the best out of the members of the senior management team'.





ACCOUNTABILITY IN THE PUBLIC SECTOR

TOM EVANS

Accountability and control  
in the public sector



DESPITE the breadth of the title, I propose to take the problem of accountability in the NHS as the basis of my observations.\* This is partly because of my own present involvement. But it is also in the hope that a commentary on the current attempts to establish mechanisms of accountability in the health service might sound some echoes in areas of the public sector which have been over the ground before. My interest is in the approaches which are adopted to convert the proper concern with accountability into a workable and meaningful practice and with the principles and assumptions which underpin them.

I assume that the process of accountability embraces both the examination of managers and the further provision of guidance to them. It is a dynamic, cumulative process in which the stewardship of one is subjected to assessment and redirection by legitimate and powerful others. No doubt this generality already trivialises some facets of the concept, but, for my intent, it is enough to demonstrate the variety of purpose and method which this allows. Accountability may have several foci. It may:

- test consistency with established policies;

- examine specific performance in the use of resources or the achievement of espoused goals;

- assess the quality of the process through which the organisation is managed.

It may provide feedback for managers through:

- sanctions or particular requirements for corrective action;

- the general beneficial effects of discipline from critical examination;

- structured dialogue with stakeholder groups.

Accountability is intrinsically about control in that it tests performance against standards derived from comparability, past history or just intuition, and seeks to attribute variances. Most fundamentally, it is about learning for both parties. Indeed the effectiveness of accountability may be primarily in the learning it facilitates.

\* Given at the third Deloitte Haskins and Sells accounting and auditing research symposium, Edinburgh 11-12 April 1983

With only such a cursory nod in the direction of concept, may I state my argument.

The development of working mechanisms of accountability in such a complex and resilient system as the NHS requires more than the assertion of accountability to Parliament as an abstract good. In particular, it matters how mechanisms are established, what assumptions they make about managerial practice, which of the many possible priorities are pursued – in short, what is the strategy for the development of accountability. Though it may be a premature judgment, I have serious doubts whether these issues have been thought through.

The attempt at establishing NHS accountability betrays the same *instrumental* tone as has characterised similar ventures in other areas of the public sector. The idea that the behaviour of a complex system can be purposefully controlled by an array of instruments in the hands of central government is one of the great fallacies of public policy. In the case of the NHS this takes the form of introducing institutional practices, which are largely insensitive to the nature and complexity of the managerial predicament, which are mechanistic or rapidly become so, and which understate the conscious or unconscious capacity of the system to obscure and resist. They also emphasise only the hierarchical accountability of districts, through regions and DHSS, to Parliament, at the expense of the equally legitimate patterns of accountability to clients and other stakeholders or to professional colleagues. Moreover, at this time, the approach is made even more precarious by the fact that innovation of mechanisms of accountability is concurrent with a number of other major changes and pressures that compete for limited managerial time.

A serious attempt to enhance accountability would have to take into account the frailty of management practice in the NHS as a basis for examination of performance. It is difficult to see how much progress could be made towards external accountability of health organisations without a major investment in the systems, procedures and people through which they are managed.

Even with the development of such systems, the problems of accountability of health organisations for their substantive performance remains largely intractable. Hence, the quality of the

process through which they are managed, their responsiveness to established policies, client satisfactions and so on will be an important focus of accountability in the long term.

In order to pursue this argument, some impression of developments in the NHS and of the characteristics of its management needs either to be assumed or offered.

### *Developments in the NHS*

The current initiatives in NHS accountability have stemmed largely from Public Accounts Committee concerns with poor responses to enquiries, usually about value for money issues. These are usually seen to be issues of *efficiency*, in the sense of productivity or cost of producing a given level and quality of service, and *effectiveness* in the sense of achievement of prescribed goals. However, any simplicity of concept is removed by the fact that quality of service is extremely difficult to define let alone measure, so simple measures of work done are themselves an extremely variable yardstick. Moreover, the discussion hardly addresses the real output of the system which is the impact on the health status of those who receive services, nor does it relate in any way to an economic concept of efficiency. So, at the best, efficiency measures relate inputs to work done or activity rates which are often, in effect, just other measures of inputs. This conclusion is demonstrated by the work which has been undertaken on performance indicators. The candidates which have been produced for trial use, are overlapping, of uncertain meaning when they are observed to change in value, and of even more uncertain status conceptually. The mechanism through which all of this is to operate is the annual regional review, in which regional chairmen and officers meet with the Minister and his team to review their intentions and their progress towards them. The region, in turn, then meets with its districts for similar purpose. This procedure has begun only this year, and it will clearly be some time before real tests can be applied against plans and stated targets.

However, the concern with accountability has not been an isolated development.

In April 1982, the NHS was reorganised to produce a larger number of smaller authorities below the fourteen regional auth-

orities. All managers had to find themselves new posts in the reorganised structure. The spirit of the reorganisation was the beauty of smallness, involving not only more statutory authorities but also an emphasis on decentralised management within districts to units. In addition, a target was set for a ten per cent reduction in management costs.

For the first time there has been a sustained emphasis on control of the expenditure being devoted to health services. Though cash limits have been applied for a number of years, more stringent budgets are now being set, including estimates of resources that should be freed by 'efficiency savings'. Many districts are facing, for the first time, a long term prospect of decline in their resource base either absolutely or relatively to growth in service requirements.

As far as can be judged, there are major disparities in the resources committed to the provision of health care in different parts of the country. Policy has been to identify target allocations based on the calculations of the Resource Allocation Working Party (RAWP) and to work towards them by differential allocations of incremental resources. It is unclear whether this will yield an acceptable rate of progress nationally. It certainly will not satisfy demands for reallocation to cope with similar disparities *within* low growth regions. In that case there will be active reallocation by progressive reduction of budgets for 'over target' districts. Since the RAWP formula and the information about patient flows and bed norms are themselves contentious, the provision and monitoring of information is itself part of the debate about future allocations.

Throughout the last decade, there has been consistent desire to channel resources to traditionally neglected services, such as psychiatry and mental handicap, to rapidly growing services, such as care of the aged, and to more acceptable modes of delivery of service, usually based in the community. Despite widespread commitment to these goals, little progress can be recorded. Meanwhile the pressures grow and more instances of sub-standard service in these areas come to the fore.

It is an open question whether the concern with accountability is in its own right or a means to limiting expenditure. Certainly in a system which has minimal margin for investment and many traditional commitments, expenditure control and the pursuit of

efficiency and effectiveness through resource mobility have to be seen as, to some extent, in conflict. However, the broad point is the 'noisy' context in which a system of accountability is being pursued. This both confuses intent and increases pressure on the attention and energy of senior managers.

*Characteristics of the NHS and its management*

The potential for developing the accountability of the NHS is inhibited not only by the current 'noisy' context but also by many of the characteristics of the service and its managers. If some form of accountability is to be grafted on successfully, then it will need to be based on a diagnosis of these characteristics and how they may be harnessed or changed.

- The myth of overmanagement. There are relatively few senior managers in the NHS and hence little investment in the development of systems and strategies for the organisation. For example, in my own district authority (Bloomsbury) with a revenue budget of £100m, and an acknowledgedly complex problem of rationalising two major teaching hospitals and three postgraduate hospitals, there are no more than 10 administrators paid over £11,000 per annum and probably no more than 25 managers from all disciplines over that salary. Most of these are concerned with operational management.
- There are large numbers of junior administrative and clerical posts, but that reflects the 'Bob Cratchitt' technology with which the management system works.
- The absence of a culture of control. The idea of systematic control at all levels of the organisation is poorly understood and hardly practised. Consequently there is little precision in the formulation of intentions and no disciplined inspection of whether those intentions were achieved. This is partly a cultural issue, but a considerable investment in supportive information and analysis would be necessary to sustain a more control-oriented approach.
- Multi-professional structure. The management structures of the NHS embody parallel professional streams, with a 'consensus' principle governing their collective choices.

The nature of a corporate responsibility and particularly of responsibility for developing systems and practices which span the several professional streams, is ambiguous.

- Role of clinicians. It is likely that the decisions of doctors are the most important single determinant of resource use. Most commentators recognise that the resources committed by a doctor are of an order of magnitude greater than his direct costs, but there appear to be no good estimates of the secondary costs and how they vary from speciality to speciality.
- Limitations of management systems. Most obvious is the preponderance of functional budgeting systems which list expenditure by type of input. The allocation of costs to activities to form clinical budgets or estimate specialty costs remains exceptional. Moreover there is no zero based element in management systems, most activities proceeding without review unless they are developing or are thrown up by other considerations such as closure or bed rationalisations.
- Obsolete information systems. Data in the NHS are extensive, but of very uneven (and unknown) quality. Three major sources of data (financial, manpower, and activity) are often inconsistent. But the major important overall issue is the domination of data collection and transmission by the needs of reporting, not of management control or planning.
- Availability of output measures. While the forgoing factors derive from the culture or history of NHS management, there are some intrinsic difficulties. We have few reliable measures of output. Measures of throughput are not only unrelated to their eventual impact on health status, but also abstract from any variations in quality of treatment and care. Moreover, indicators of resource use, such as bed occupancy or length of stay, are conceptually ambiguous as to what they are measuring and whether or not it is good.
- Enquiry as a means of accountability. The NHS is culturally attuned to an expectation of accountability which is about crisis or abuse, that is, the pathologies of the service. Enquiries on black spots in mental illness or mental handicap command attention, but do not provide any motivation for

evaluation of performance in areas where crisis is not imminent.

*Accountability in the NHS*

THE NEED FOR A STRATEGY

It behoves those who seek to impose the discipline of explicitness on others to practice what they preach. The problems of creating mechanisms for accountability in the NHS, which are influential and not merely cosmetic, are sufficiently difficult to warrant an explicit statement of approach and expectations. The variants of approach are numerous. Their anticipated effectiveness will depend on assumptions and diagnoses of underlying behaviour and responses. Some coherent strategy of what is to be achieved and how, would be both desirable and helpful. It might cover such issues as:

What is really intended?

Is it primarily to seek and monitor the implementation of government policy?

Is it wishing to reinforce accountability to local lay authorities, to local client groups, and so on, or is it about emphasising hierarchical accountability through region and DHSS to parliament?

Is it therefore concerned to increase the effective discipline on managers to use resources efficiently or, more generally, to be more responsive and evaluative?

Or is it mainly a means to overall expenditure control?

What assumptions are made

about information, analysis, or control systems within health organisations?

about the qualities, attitudes and behaviour of managers?

On what evidence are these assumptions founded?

What complementary effort is needed to improve the potential for the accountability effort? In what terms is that effort being made?



Were these and other questions posed and answered, some of the cynicism and pessimism that prevails in the health service about the attempt to improve accountability might be defused. There is certainly a suspicion that it is both incoherent and unrealistic, and that it sits poorly beside other dimensions of recent government policy. For example, the decentralising spirit of the reorganisation is perceived to be hampered by the concern with accountability and control, which is clearly emphasising the role of region. Equally the demand for better performance alongside reorganisation, resource restraint and geographic and care group redistribution are regarded cynically and defensively by managers who, on only the flimsiest of justifications, have been required to take 10 per cent off their management costs.

The problem is one of coherence and credibility of the whole package as it is perceived by those who must respond to it. If the intention is to rely on cooperation rather than coercion, the lack of an explicit strategy in the approach is a major limiting factor.

#### REVIEW AND PERFORMANCE MEASUREMENT

The two major dimensions of the approach adopted – a structure of annual reviews and the development of performance indicators – strongly suggest some answers to the questions raised in the previous section. They indicate a hierarchical and instrumental concept of accountability, concerned to make the service more the servant of government purposes and concerns. While that is perfectly understandable, it is not all there is to accountability and, indeed, may obscure real and desirable disciplines on managers deriving from other sources. Moreover, it is difficult to do effectively and may even be self-defeating.

In so far as the fortunes of the review mechanisms depend on the use of performance indicators, one must be pessimistic. There is little in the initial work to suggest that the conceptual and practical problems of overall performance indicators are understood. Initial suggested indicators suffer from all the usual problems of ambiguity of what is being measured, overlapping by several indicators of the phenomenon being measured, and difficulty of knowing what changes in them mean. Their primary quality is ease of collection and ubiquitous availability of the data. These, no doubt, are teething difficulties but the

pressing into use of transparently imperfect and easily rejected measures will undermine the credibility of the whole exercise.\*

However, the more worrying point concerns the use of indicators even if satisfactory measures could be defined. If they are to be used to expose variances from norms or comparative practice, the problem is to attribute the variances. There are so many possible contributory factors, most of which would obscure rather than isolate variance due to performance. For example, differences in case mix, physical infrastructure or location of hospitals and so on would be immediate excuses. In principle, all of these factors could be measured and their contributions estimated, but not at the aggregate level of the district. In short, the attribution of variances in aggregate performance measures at district depends on the existence of internal control mechanisms which identify and allocate variances at programme level or below. However, these mechanisms simply do not exist and a great deal of work will be necessary to establish them.

A more likely medium for regional review in the short term is the strategic plan and its achievement. Unfortunately, this is to find the NHS at its most mechanistic. By and large, strategic plans are pictures painted of 10 year horizons, involving forecasts of populations and patient flows, and applying norms (of dubious origin) to estimate required beds. There is little in experience to suggest that they represent achievable targets, or whether the proposed changes are organisationally feasible. Since they also do not involve testing for robustness, they are easily blown off course when assumptions change. Their major traditional purpose has been to provide a framework for capital allocation. Whether they are useful as targets when there is little capital at stake is doubtful. Once again, the NHS is in need of (and, in this case, is on the brink of) a revolution in its methods, if they are to be a useful basis for accountability.

Nevertheless, there is a useful function for regional review as dialogue. Simply the sharing of issues and identification of problems is helpful, across divides between DHSS and region, and region and district, which have been often plagued by

\* To be fair I should explain that a number of experiments in accountability arrangements between regions and districts, and the role of information and performance indicators, are running in parallel with the regional review.

misunderstanding and suspicion. But that is a good deal more modest a vision than the development of real accountability relationships.

#### ACCOUNTABILITY AND MANAGEMENT CAPABILITY

The long term development of real mechanisms of accountability depends on a major investment in the management of health organisations. The current state of management control in districts would not sustain any sensible analytic base for external accountability. With few exceptions, financial information is not related to activity information. The absence of widespread specialty costing leaves us guessing at cost per case of differing kinds or why apparently similar cases seem to have different unit costs. Since there is no systematic identification of most of the interesting variances, the issue of their attribution does not even arise. There is no possibility of meaningful examination of variances from other districts if there is no identification of associated factors within one district.

The NHS is interesting as a case in accountability precisely because this point is so obvious. Yet the approach still seems to be to require the presentation, comparison and explanation of aggregate data, without investment in the capacity to provide that meaningfully. Indeed, so dominant is the myth that the NHS is overmanaged that it has to spend its managerial resources cooperating in a series of inquiries into its operation rather than investing in the development of systems and people.

Of course, developing control within district organisations is not merely a technical question. Indeed, the technical issues are relatively simple in principle. The politics of clinical cooperation are another matter. Coping with intelligent, high status, morally legitimate people, many of whom still regard questions of rationing of resources as anathema, is a long drawn out process of persuasion. Nevertheless, interest and responsiveness among clinicians is spreading and is much enhanced by the availability of tested and debugged systems rather than fragile experimental ideas. It would be wrong to suggest that nothing is happening but it is too little, insufficiently professional, and is not seen as the vanguard to which the higher level accountability is attached.

ACCOUNTABILITY FOR SUBSTANCE AND FOR PROCESS

Perhaps I should conclude declaring my pessimism as to what will ever be achieved through indicators of the substantive performance of health organisations. Certainly cost comparisons show important issues to be explained, but use of beds and measures of length of stay introduce more difficulties than they resolve. I am much attracted by Professor Alan Williams' health status indicators, though I am less sanguine than he about their routine use in management control. I should be delighted to be proven a Doubting Thomas. But in the meantime, there is a great deal to be done in improving the accountability of managers for the quality of the process through which they run their organisations. Causing managers to reflect on their systems and how they may be improved, or their strategies for organisational change and development, or, most important, to identify the gaps between the strategic challenges facing the organisations and its capacity to respond, would be a major contribution to improving their performance. To do so in an environment which would be informedly critical of them in this regard, would be a profound contribution to discipline and accountability.

DAVID CHAMBERS

Assessing public enterprise  
performance

Working with certain people, you gradually become aware of an outlook and way of thinking wholly distinctive and special to them, like some kind of intellectual fingerprint. I found this in working with Tom. It was an amalgam of the things he was enthusiastic about, inquisitive about, indignant about. Together these defined Tom's special intellectual daemon.

What above all would set Tom's excitement alight was to project himself into different intellectual fields, each with its own conventions of argument and evidence and its own capacity to illuminate a few more facets of complex social reality. As a good dialectician he could always argue the toss with an economist, a sociologist or a psychologist strictly within the terms of their respective disciplines. What really turned him on was then to raise the ante, step back and hold up the arguments for inspection and comparison across fields. Disciplines were there to be raided and pillaged in the cause of better understanding, but the disciplines themselves were also great artefacts with fascinating detail to be discovered by the explorer. Raiding and pillaging were also fun.

It was in his work on nationalised industries that I collaborated with Tom. Of course this is an important topic, if only because these industries occupy such a large part of the industrial scene in Europe and in the developing countries, and because their forms and constitutions have been the subject of long-running ideological debates. But what excited Tom's enthusiasm was something more than that. The nationalised industries provide a forum where you can see two modes of thought in collision. On one side the industry's managers work in a tradition which is pragmatic, empirical, experimental. Managerial modes of thought make progress by identifying differences, removing ambiguities, sharpening choices, clarifying responsibilities and commitments. Contrast with these the modes of thought and reasoning practised by a skilled politician or diplomat. Here the task is to build consensus and widen the base of support with an eye to many other interests beyond the smooth working of any particular institution. This will mean, for example, finding forms of words general enough to bridge wide divergencies of interest; deflecting attention from differences; maintaining ambiguity where there is potential conflict; delaying and perhaps obfuscating difficult choices.

By creating the particular organisational entity called a nationalised industry, our forefathers built theatres in which the politician-diplomat, with his own coherent system of thought and action, must interact with the manager, who also deploys a coherent system of thought and action; and with civil service secretariats hovering uncertainly in between. These industries are important not merely for their

economic functions, but also as live laboratories. That is why their study is not just worthy but also intellectually exciting.

If you are an eclectic like Tom, there will also be times when you feel like the small boy, aghast that nobody else seems to notice the emperor's lack of clothing. We worked together at a time when the public discussion of nationalised industries had hit a very sterile patch, while by way of contrast there was plenty of ferment in relevant academic fields. A new breed of industrial economists was finding justification for forms of competitive capitalism not on the familiar grounds that in principle this can be shown to bring about allocative efficiency within a static equilibrium model, but because in practice competition provides the impetus for innovation, invention and dynamism. Yet at the same time much ink and many official reports on the nationalised industries were invoking the equilibrium model in arguing that what these industries needed was a recalibrated test discount rate and a newly defined required rate of return on assets. It was Tom's view, and mine, that these devices belonged more to the dignified than to the efficient side of industry's government. Again, researchers on organisation in the business schools of the US and Europe had been documenting for the previous two decades the range of available organisational forms and devices and their operating characteristics. Yet the official reports and investigations took a view of organisation which led only to weighty proposals for re-arrangements at the top: for example, a policy council to stand between government and the industry's board (NEDO), a new electricity board to take over and centralise the functions of the Electricity Council, the CEGB and the Area Boards (Plowden Committee). The implicit model of organisation was a simple one: those at the top make decisions, everybody else gets on with implementing them.

Tom's imagination was fired by the interplay between policy recommendations and the assumed theoretical models underpinning them. He saw it as a role and duty for the academic to bring the underlying models into daylight, so that they could be examined and judged. In the setting of UK nationalised industries this was – and is – a necessary exercise. Policy prescriptions on capital investment, pricing, the assessment of performance had been imported into the discussion through assumptions and values which had not been made explicit or subjected to criticism.

These preoccupations led us both into types of empirical work which probably seemed banal to anyone not familiar with our reasons for directing our microscopes onto details of organisation, procedures, calendars, timetables, committee composition, the mapping of what is and what is not decentralised. Tom worked with British

Rail and with telecommunications while I studied electricity supply and the gas industry.

The notes that follow state a theme which recurred throughout our work in nationalised industries: the appraisal of performance. To us, the act of performance appraisal has to be symmetrical. The appraiser must also establish his legitimacy and credibility with the appraised. But behind each nationalised industry we seemed to find an endless line of appraisers, all merrily passing judgment and many with only fragile claims to legitimacy. In a world where most people seem keener to appraise than to be appraised, what, we asked, are the preconditions for a *valid* act of performance appraisal? And how is it to be distinguished from ritualistic or phantom acts of appraisal?

David Chambers



### *Assessing performance*

WE appraise our own performance, and that of our peers, our representatives, our institutions. Some of these acts of performance appraisal are indistinguishable from moral or ethical judgments. Others resemble technical assessments, judging whether specific conditions have been fulfilled. Again, because we engage in collective ventures so that some actions confer benefits on others beyond ourselves, assessment of performance is entangled with our concepts of fairness and entitlement. If one person's efforts result in widespread benefits, it seems fair that the person should be rewarded. Hence there are collective benefits in having us render account for our performance, whether we are business managers, civil servants, doctors, lawyers, teachers, social workers, researchers. Systems which can recognise and react to the effective or defective performance of their component units stand a better chance of prospering.

It is easy to identify institutions in which performance appraisal seems to be done well and others where it is certainly done badly, but it is not easy to spell out the criteria on which these judgments rest. An investigator, looking at the practice of performance appraisal in different institutions, can begin to classify the observed systems in various ways: comprehensive or rudimentary, inaccessible or explicit, fair or arbitrary. He takes a view on what ground you would expect to be covered in a 'good' performance appraisal and he needs to be able to expose this underlying model for your scrutiny and discussion.

In Britain in the 1980s, the distinction between institutions with or without effective ways of appraising performance has easily been confounded with the distinction between the private business sector and the public sector. In turn this generates the easy policy prescription that private sector methods should be emulated in the public sector. But this prescription rests on very fragile ground. Some firms do have very effective techniques for assessing the performance of their business and its component parts. Some organisations in the public sector and some professional groups have certainly been laggard in developing credible systems for appraisal and for basing action on the appraisals. But it is also the case that some public organisations have good appraisal systems and that some private firms have bad ones.

Testing the conjecture that good practice is more often encountered in the private sector would require a formidable programme of research. It would be more useful, for policy purposes, to undertake an investigation which would identify characteristics of good practice wherever this is found, and then to discover whether and how far these might be transplanted.

At the London Business School we have undertaken studies of performance-appraisal practice in many private sector companies, both well run and badly run. We have also tried to gain insights into performance appraisal in the public sector (and into the extent to which private sector practice may be transplanted) by studying some apparently well run nationalised industries. We chose to focus on nationalised industries because, of all the institutions in the public sector, they most closely resemble the private business firm. Hence we could concentrate on the differences between 'private' and 'public' without the further complication of 'business' versus 'non-business'. By seeing how performance appraisal changes as you move across the boundary between private and public businesses, you will better understand the changes as you make the longer step from private business to the 'not-for-profit' sector.

The present paper draws on these studies, in order to build up a picture of the larger systems of which good performance appraisal is one part. Detailed accounts of the different studies are contained in separate articles listed in the references.

### *Performance of the whole enterprise*

Commentators agree in attributing the special difficulty of assessing a public agency's performance to the fact of its being public. But what are the particular aspects of performance appraisal which prove more problematic in the institutional framework of the public than in that of the private sector?

Two such aspects are illustrated in many of the published studies and histories of UK nationalised industries.<sup>1</sup> First, they make the familiar point that there may be more dimensions to assess in the case of a public agency. Second, they demonstrate the more elusive fact that means have to be devised, in a public agency, for assigning relative weights to achievement on the different dimensions. For example, in the electricity supply

industry the many dimensions of performance include security of supply, plant availability and manning levels, as well as various cost indices. They also include other components of customer service; environmental effects; some degree of consideration for the long term interests of suppliers. In any period, the industry might be judged to have performed well on some dimensions and badly on others. There is however no convention nor any regular operational requirement for which these would need to be collapsed to one single dimension on which 'overall' performance might be measured.

In contrast, the stock market provides the private sector with a mechanism through which continuous evaluations take place, and here all the dimensions of performance are in the end reflected in a company's share price or (multiplying by the number of shares) in the market value of the company's equity. Stock market valuation has the well-documented property that it takes into account a wide spectrum of information on board-room disagreements and on the state of wage negotiations as well as the financial data in the latest audited accounts. In market jargon it is affected by the 'quality' as well as by the expected value of the stream of prospective earnings. Hence in the private sector there is at once a reason and a mechanism for arriving at a single overall measure of a company's performance. Moreover, the mechanism is external to the firm; the individual firm does not have to devise its own machinery for arriving at agreed relative weights for achievement on the different dimensions. It is in this sense that 'market discipline' would provide valuable information for operating management in a state enterprise. This 'discipline' is often taken simply to mean exposure to the risk of bankruptcy; for example 'the Government must be concerned ... in seeing that these industries, which are not subject to the private sector discipline of the threat of bankruptcy ... are efficient'.<sup>2</sup> But the lack of an independent external system for continuous evaluation of the corporation is at least as significant a difference as the absence of an ultimate sanction of bankruptcy. It would be useful for operating managers to have this continuous external evaluation of their (public) corporation's performance. But this possibility is not open to them: there is no way that this particular piece of private sector machinery is going to be carried over to the public sector.

*Performance against commitment, within a public enterprise*

The processes for reaching agreement on the choice of targets for a public sector agency and on the relative weightings of the different targets do not spring up of their own accord. They have to be designed, and devising them and getting them to work is a substantial achievement. They do not exist in all those settings where performance appraisals are attempted, and the starting point for any discussion of performance must therefore be to distinguish between those acts of performance appraisal which are grounded in substantial supporting processes for target setting and those which are not.

The annual budgetary cycle is one example of a process within which targets can be agreed and performance measured against agreed targets. Other examples can be found in the conduct of medium term operational planning in the nationalised industries.<sup>3</sup>

In each of these examples it is possible to distinguish a process for setting targets, and for building commitment to the targets on the part of those charged with then trying to achieve them. This means that subsequent appraisals of performance against target can be substantial ones, in the sense that preconditions for substantial appraisal of performance have been established.

The examples show too that performance appraisal is not a simple operation, even where the target setting process ensures that the targets carry full commitment from the participants. Special features will always crop up which were not explicitly provided for in the commitment, and in each case therefore a performance appraisal needs the further underpinning that the evaluating group must be accepted by participants as well informed and fair.

The budgetary cycle and the operational planning cycle have the common feature that a process of negotiation leads up, at a definite point in time, to a set of firm *promises*. It is important to recognise that these are promises, and not, for example, statements of fact or forecasts. This is important because the act of promising, or of making a set of interlocking promises, is liable to different ways of being defective than is a forecast or a statement of fact. When a manager makes a forecast which turns out to be wrong, this points to types of corrective action

such as strengthening the technical competence of his staff advisers in economics or market research. If a manager makes a promise which then he fails to keep, that calls for corrective action of a different kind.\*

The examples of performance appraisal against medium term operational plans in nationalised industries share other features. Many commentators have noted that a striking aspect of any nationalised industry is its coherence as a social system. Internal linkages are multiple and multifarious. They are supported by a convention that for many people, careers will be mobile across divisions or regions and will be spent wholly within the industry. Again, a main strand of tradition in each of these industries is guarded by the relevant professional bodies (mining engineers, electrical engineers, gas engineers, a rail division in the Institute of Mechanical Engineers). Peer group evaluation can be relied on for complex judgments on achievement. Within each system, the conditions exist for credible or relatively happy processes of target setting and performance appraisal.\*\*

These conditions can be summarised in two propositions:

- i) The targets carry the commitment of the participants.
- ii) Participants accept the evaluating group as well informed and fair.

The targets referred to in i) will have been reached through a well understood process of negotiation, following an accepted calendar, and conducted by individuals whose standing in this process is clearly defined.

Conditions i) and ii) correspond closely to those found in more formal settings where some contractual agreement relates to the subsequent performance of specified activities. Typically, the commitment in i) includes some conditional provision to cater for specific eventualities, that is, the targets are flexed with respect to a few major parameters identified in advance. But the commitment will be *incomplete* in the sense that, realistically, it cannot make explicit provision for every eventuality. The practical impossibility of specifying exhaustive conditional commitments has the further implication that opportunities are legion

\* This argument is developed at greater length in Chambers' *Plans as promises*.<sup>4</sup>

\*\* This analysis is developed in Woodward's *Performance in planning a large project*.<sup>5</sup>

for bluffing, evasion and selective reporting in the course of the actual performance. That is why the complementary condition ii) is also required. Incompleteness in commitments means that performance evaluation must also rely upon appraisers who are seen to be (sufficiently) competent and trustworthy. The condition also puts teeth into the otherwise vacuous exhortation that there should be a greater degree of trust between nationalised industries and external evaluators of their performance, notably sponsoring Ministries.\*

*Appraisal of a unit's performance in the private business sector*

It has been taken for granted by many commentators on the public enterprise scene that there exists a private sector model of effective performance appraisal and that this will offer a prototype for the better organisation of public enterprises. In particular, the so-called 'conglomerate' has seemed to demonstrate that a small central staff, removed from operational detail, can exercise arm's length control over large, complex enterprises. In its pure form, the conglomerate is a company whose constituent parts have no operational interdependence, and are held together by a small headquarters group which treats them as elements in a financial portfolio. This type of organisation waxes and wanes in popularity, and a rich fund of stories exists concerning the operation of such companies. The caricature depicts a corporation whose senior managers consider each day over breakfast which parts of the company they might sell off during the day and what they might acquire instead. The reality

\* Much of the literature on appraisal of public agencies' performance has been directed at the case where condition ii) is only partly met, that is where the members of the appraising group are not closely informed about the operations they are charged to evaluate. For example, Wildavsky and Lindblom have identified many instances where there is a disparity of information between appraisers and appraised. In the US setting Wildavsky suggests that there is sufficient overlap between the fields of operation of different government agencies for the Bureau of the Budget to be able to use data produced by one to check the performance of its neighbour.<sup>6,7</sup> In other cases, performance appraisal will typically rely on the cobbling together of a set of measures which may be local, partial or temporary. Lindblom has collected an extensive set of examples of this kind.<sup>8</sup> Because of this preoccupation in the published literature, there is a need to emphasise that the conditions i) and ii) for credible appraisal of an agency's performance go beyond the question of availability of information.

behind the caricature is a system of management which can make separate, tidy decisions about particular parts of the business without affecting the operation or the economics of its other parts. In managerial jargon, the decision can be 'zero based'.

In such companies the planning activities at a corporate level can be conducted wholly in financial terms. At lower levels in the hierarchy, operational plans are constructed in the individual business within the envelope provided by the corporate financial plan. The detailed knowledge of managers close to actual operations need not be transmitted to the senior group, nor is it necessary that the senior managers should have gained operational knowledge of these businesses at earlier points in their careers.

Enough studies of such corporations have been undertaken to show that they offer excellent opportunities for the use of relatively formal methods of modelling and optimisation to improve management decisions. The 1960s and early 1970s saw many bold attempts to build very large models which would allow the decision-maker at the centre to conduct his optimisations with the benefit of all the information available to any part of his company.

An excellent example can be studied in journal articles describing the US conglomerate I U International (formerly International Utilities), a company with extensive holdings in property, shipping and energy. This company was a pioneer in building large, interlocking, optimisation and simulation models to guide senior management in their decisions, which concerned asset acquisitions and disposals (compare Hamilton and Moses,<sup>9</sup> Alter and Anand<sup>10</sup>). But the experience of subsequent company modellers serves to underline the special characteristics of a company like this. A conglomerate is one limiting case of the corporate form; it is not representative of all corporations. Its corporate needs are for day-to-day updating of asset valuations. Its corporate management can operate effectively through using a limited number of well defined financial criteria, and there can be a clear distinction between the responsibility for asset transactions (the domain of corporate management) and operating decisions taken in the separate and non-interacting businesses.

Compare this with an enterprise whose different internal operations are closely inter-connected: for example, a major oil company, whose activities extend backwards to its sources of supply and forwards to its final markets. An integrated oil company faces one of the classic problems in performance appraisal: how to reconcile locally optimal performance with globally optimal performance. The story recurs in different forms, of the excellent local manager whose best contribution to the performance of the larger enterprise is to close down his own apparently successful operation. The moral of such stories is that normal accounting measures of local performance cannot always capture the changing reality of a complex organisation, and that their interpretation requires experience and good judgment. In effect, conditions such as i) and ii) must play a prominent part in performance appraisal in this setting.

The emphasis on the preconditions for performance appraisal is endorsed in studies of many large integrated corporations. The problem of building appropriate linkages between a headquarters and its subsidiary units, and between a headquarters and its different product groupings, has been a paramount concern of management. There has been a wealth of experimentation with different devices for welding disparate units into one coherent entity: for example, through rotation and interchange of personnel; arrangements by which some managers have dual reporting relationships (often to a functional head and to a local divisional head); interpenetration through certain headquarters' representatives in the peripheral units; and conscious exploitation of the network linking the members of a professional group. A major part of the responsibility of the chief executive in any large corporation consists of developing and maintaining the devices which will hold his business together within a common corporate ethos. This is an area where he puts his own reputation on the line, and failure to achieve coherence will be laid at the door of the chief executive. The task of building the conditions within which there can be a credible process of performance appraisal consists of building a shared ethos. Since the conditions of common professional experience and clearly defined task and roles do not initially exist, it becomes a first priority to invent them.

Thus the model of a private sector business in which the



senior managers carry out their job at arm's length from actual operations and with no more than the financial information flowing from constituent units, represents an organisational solution developed in one specific setting. There is no reason to consider the 'conglomerate' mode of operation as an ideal to which other corporations should conform, nor indeed to assume that it is capable of transfer to other settings. Even within the private business sector, the model of arm's length control through summary financial figures is a special, limiting case.

*Parallels between public and private business*

What then are the lessons which *can* be carried over from private to public sector? Some fundamental attributes of the system within which public enterprises are appraised must place a question mark against any easy transfer of managerial technology. Consider the proposition: 'nationalised industry is to central government as product division is to corporate headquarters'. If the corporation is taken to be an integrated one (such as an oil company) then some of the main devices for building a coherent corporate ethos are not present in the public sector setting. Career mobility and the use of professional linkages to span the two worlds of industry and civil service are not serious options in the UK in the short or medium term. Again, the system within which a nationalised industry's targets are established is not merely the industry, it is the larger set consisting of the industry, its sponsoring Ministry and the Public Enterprise Division of the Treasury. The activities of setting targets to which commitment is given, and of appraising performance against agreed targets, take place within this larger system.

If the corporation to which the proposition refers is a conglomerate or holding company, then a different set of difficulties will appear. The operations of any nationalised industry impinge at many points on issues of public policy. Any persons who read the postwar history of the UK's nationalised industries must conclude that central government would not be willing to back away from these industries to the point where control was exercised only through a small number

of performance indices (see for example Hannah,<sup>11</sup> Beesley and Evans<sup>12</sup>). The metaphor of an arm's length relationship between nationalised industries and government has indeed entered the official folklore, but as the ex-chairman of a nationalised industry once remarked to this writer, it had been not so much an arm's length relationship, more a series of one-night stands.\*

Where we do find useful parallels between public and private business is at the level of unit or divisional performance, and with companies whose internal operations are interconnected. Here the substantial appraisals of performance take their place within larger systems of target setting and performance appraisal. Their substance and credibility rests on well understood processes of commitment building, with clear specification of roles and responsibilities, alike in the private and the public sector. Here there is no question of a simple one way transfer of technology, but rather a mutual interest in learning from good practice wherever it occurs.

There is one further instance where private sector practice appears to have had a benign influence on the systems for performance assessment in public enterprises. This goes back to the 'market discipline' referred to earlier. In the current and recent cases of major privatisations (British Gas, British Airways, British Telecom) the *prospect* of floating the shares on the market has had a salutary effect in establishing preconditions for performance assessment of just the kind emphasised in this paper. Having to prepare a prospectus which the City will accept, the industry has been able to press government to remove major uncertainties about the future competitive regime, and government has had to accept limits on the kinds of interventions it will employ. If Ministers were to accept similar constraints on their discretion in the case of industries still in the public sector, this would be a huge step towards establishing the necessary preconditions for bringing public sector appraisal systems up to the standards of the best private sector ones. It is a happy irony that the 'market discipline' which the prospect of privatisation introduces should turn out to be a discipline on the hitherto unfettered discretion of government Ministers.

\* See Lioukas and Chambers.<sup>3</sup>

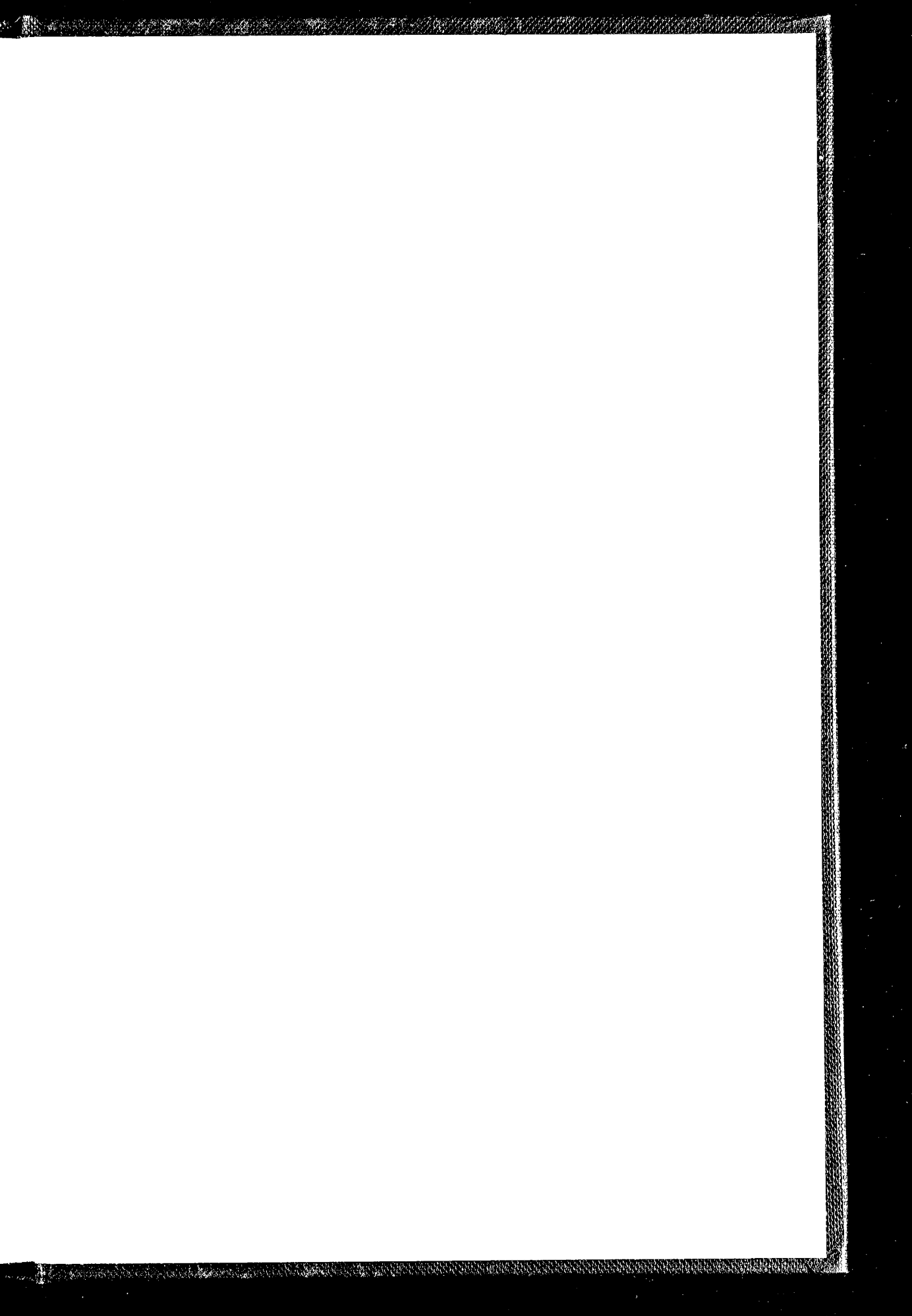
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