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Turning around (again?):Lessons from the experiences of poorly performing councils

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Introduction

- Findings of a doctoral study
- "The nature of strategic turnaround in English local government"
- CPA era 2002 to 2009
- What can we learn/apply in the new era?

The Study

- The study focussed on the following objectives:

  - What approaches to strategic turnaround were adopted by English local authorities?

  - How did leadership impact upon the turnaround of the organisation?

  - To what extent could the approaches to turnaround transfer into sustainable local authority improvement?

CPA - a Managerialst Construct

- CPA – a comprehensive, comparative assessment framework
- Part of New Labour's Improvement Programme
- Developed collectively by DTLR, ODPM, DCLG and the Audit Commission…
- …and amended
- Brought together Service based and Corporate Management assessments for the first time
- It clearly drew on established strategic management practices and theories
- Therefore success and failure was to a large extent measured against a managerialist construct (in the context of NPM)
- Other constructs may also be valid – eg political, value driven, anti-managerialism
- But… this was the reality of the CPA era and therefore the paradigm for the study

The context of local government 2002 to 2010

|	Concepts	Ambitions	Initiatives	Local Delivery Plan	Delivery Mechanism
2000 – 2002	Modernisation	Community Engagement	Best Value	Local Public Service Agreements (LPSAs)	
2002 – 2008	Continuous Improvement: - Services - Corporate	Community Leadership	Comprehensive Performance Assessment (CPA)*		Local Strategic Partnerships
2009 – 2010	Continuous Improvement: - Area Based - Multi Agency		Comprehensive Area Assessment (CAA)**	Local Area Agreements (LAAs)	

Scrutiny Arrangements

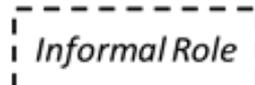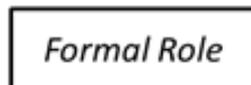* Original CPA methodology 2002-2004. "The Harder Test" methodology 2005 -2008

**Replaced CPA in 2009. Abolished by Coalition in 2010.

Scrutiny of local government 2002 to 2010
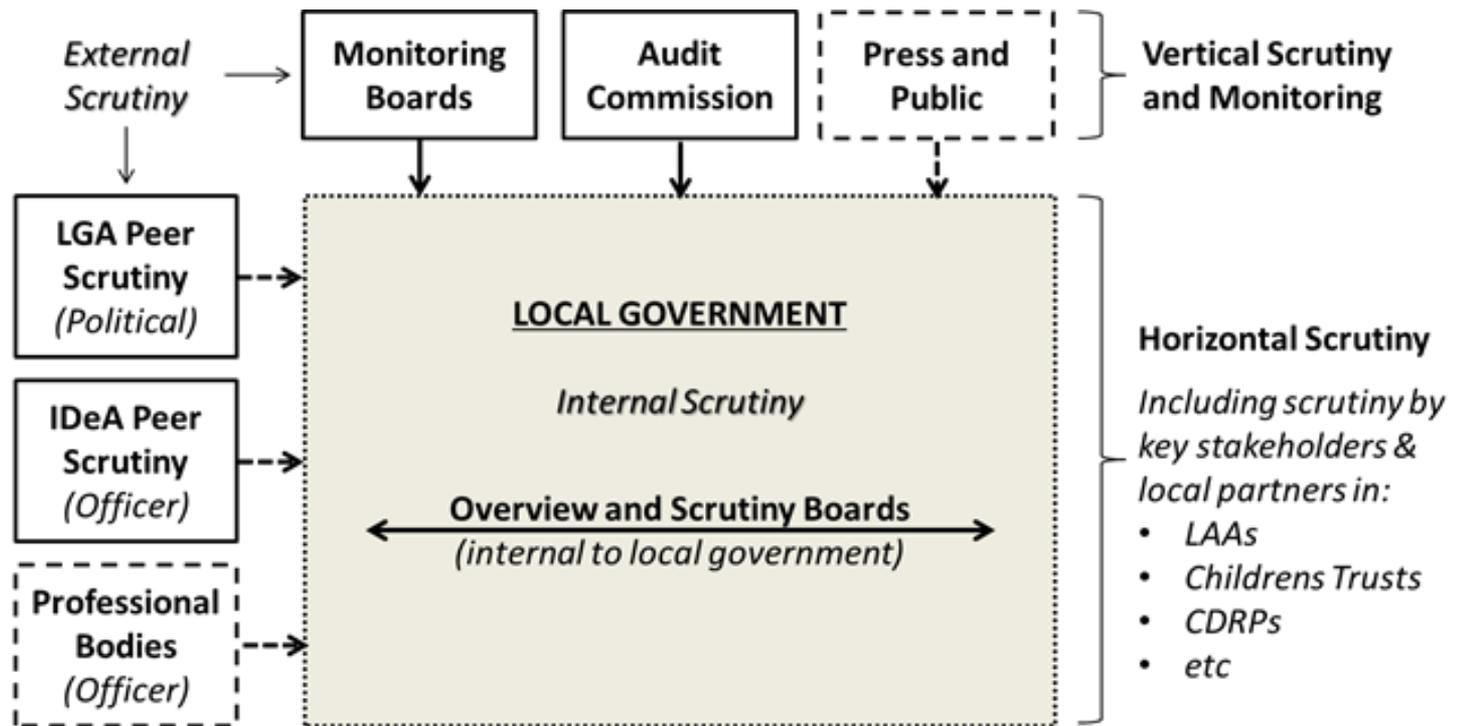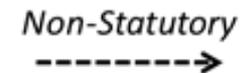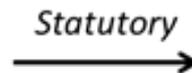
STCC The Harder Test (2005)

Figure 1

The new CPA framework for single tier and county councils
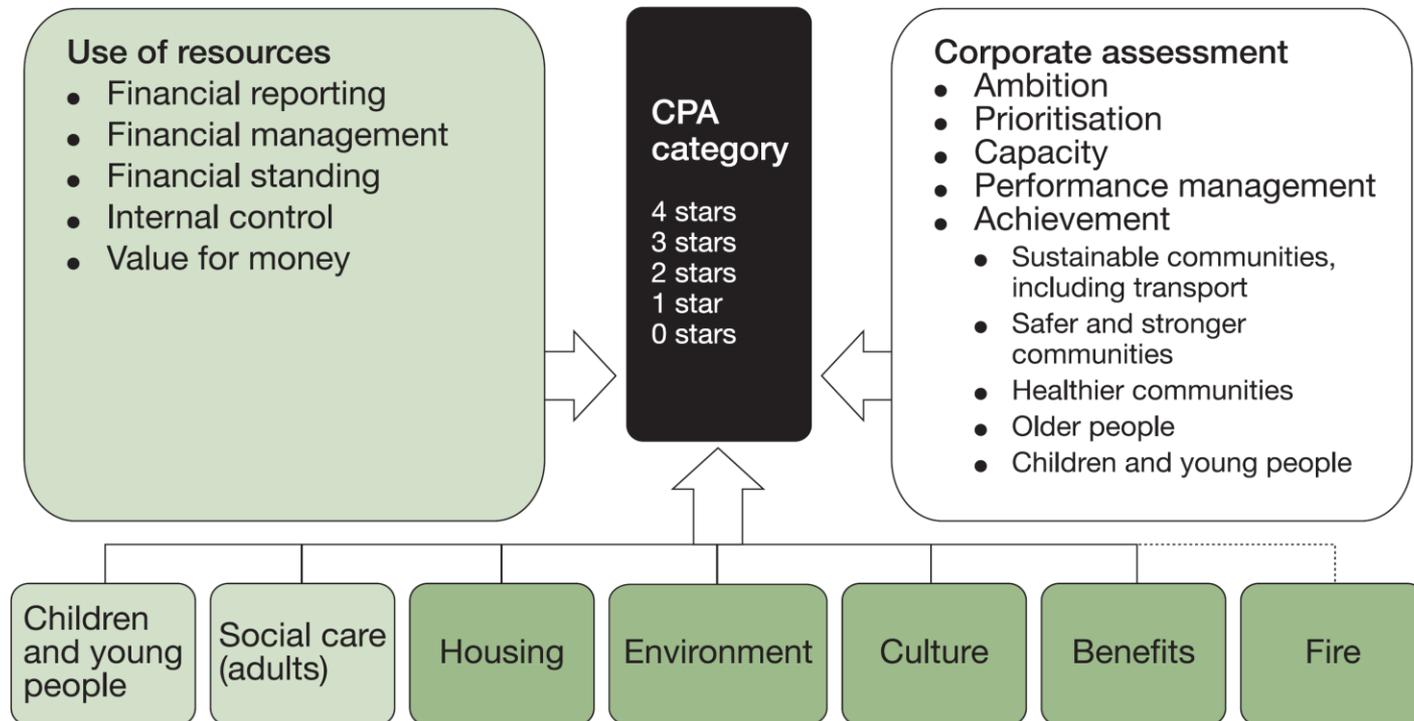
STCC CPA Score Frequency Ditribution 2002 to 2008

District Councils CPA Score Frequency Distribution 2002 to 2008

Overview of Research Approach

Audit Commission
Corporate Assessment
Reports (2002- 2008)

Elite Interviews with
Senior Officers in
Turnaround Councils

Elite Interviews with
ODPM Government Lead
Officials

Key themes emerging
from academic literature

STCC and DC Turnaround Councils

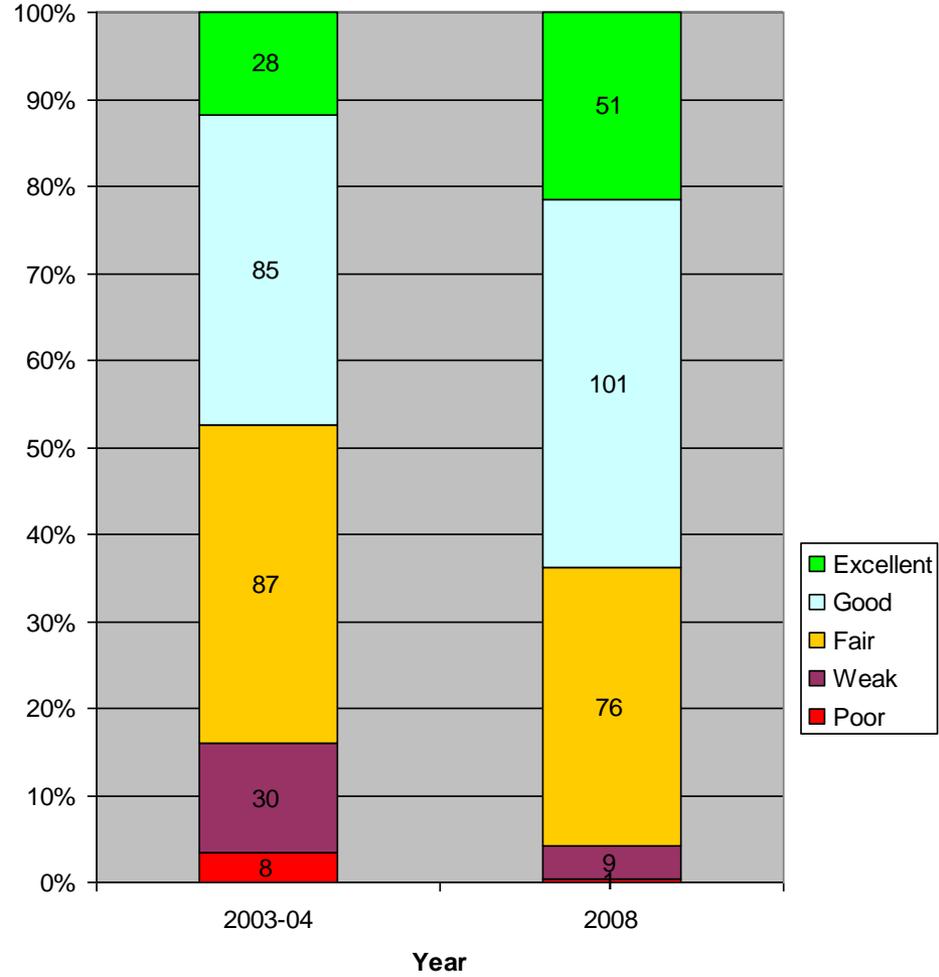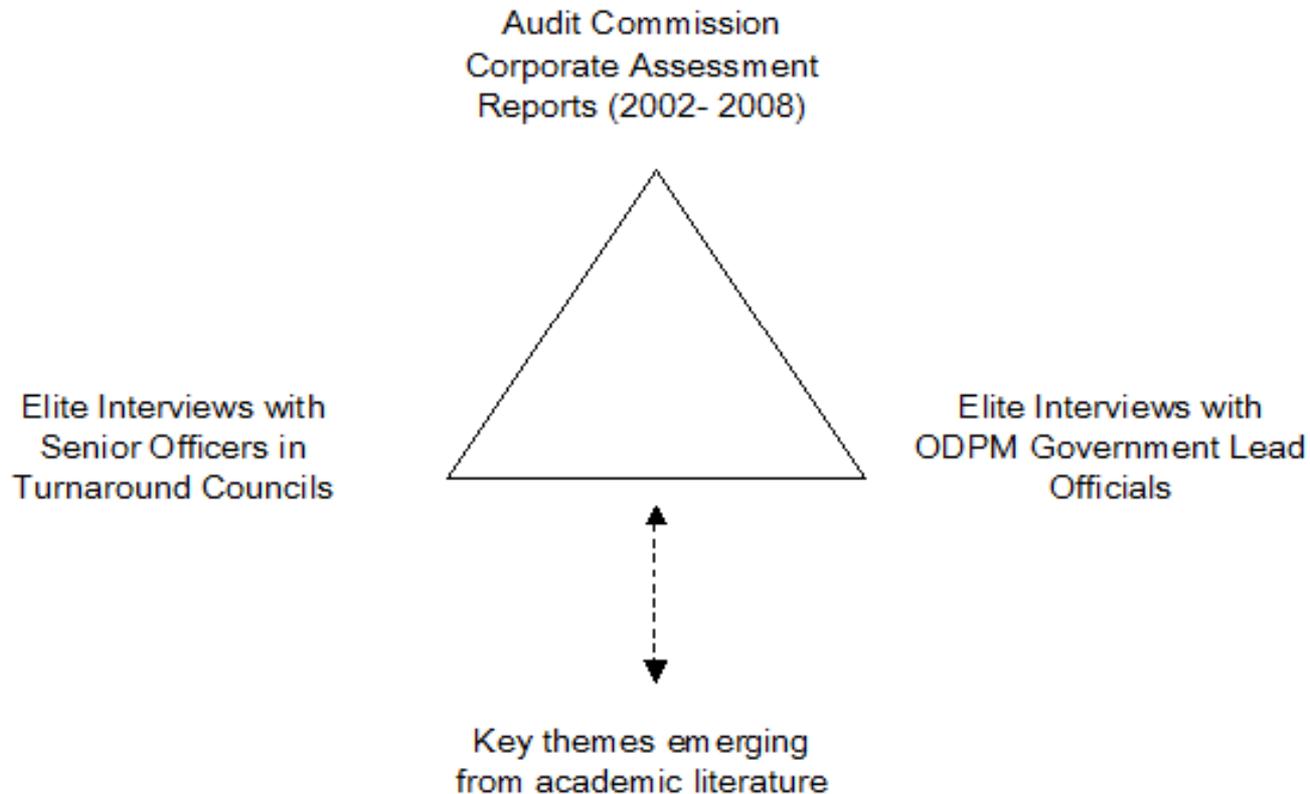| COUNCIL	CPA 2002	CPA 2003	CPA 2004	CPA 2005	CPA 2006	CPA 2007	CPA 2008	2002 2008 Movement
STCC 1	1	1	3	4	4	4	5	4
STCC 2	1	2	4	4	4	4	5	4
STCC 3	1	2	3	3	3	4	5	4
STCC 4	1	1	2	2	4	5	5	4
STCC 5	1	1	2	2	4	4	4	3
STCC 6	1	1	2	2	3	4	4	3
STCC 7	1	1	1	2	3	3	4	3
STCC 8	1	1	2	3	2	4	4	3
STCC 9	1	1	3	3	3	4	4	3
STCC 10	1	1	2	4	4	4	4	3
STCC 11	2	2	4	4	4	4	5	3
STCC 12	2	3	4	3	4	4	5	3
STCC 13	2	4	4	4	4	4	5	3
STCC 14	2	3	3	4	4	4	5	3
STCC 15	2	2	3	3	4	4	5	3

Councils selected of the basis of significant and sustained improvement under the CPA scoring methodology

15 STCCs
8 Districts

- 23 English councils reviewed in total
- 70 Audit Commission Corporate Inspections
- 3 Local Authority elite interviews
- 2 Government lead official elite interviews

District Council	CPA 2002/03	CPA 2008	MOVEMENT
DC 1	1	4	3
DC 2	1	4	3
DC 3	1	4	3
DC 4	1	4	3
DC 5	1	4	3
DC 6	2	5	3
DC 7	2	5	3
DC 8	2	5	3

Findings of the study

- 10 generic causes of poor performance
- Approaches to turnaround
  - 10 recurring themes
  - 3 phases
  - 7 elements
- The impact of leaders
- Sustainable improvement?

10 generic causes of poor performance
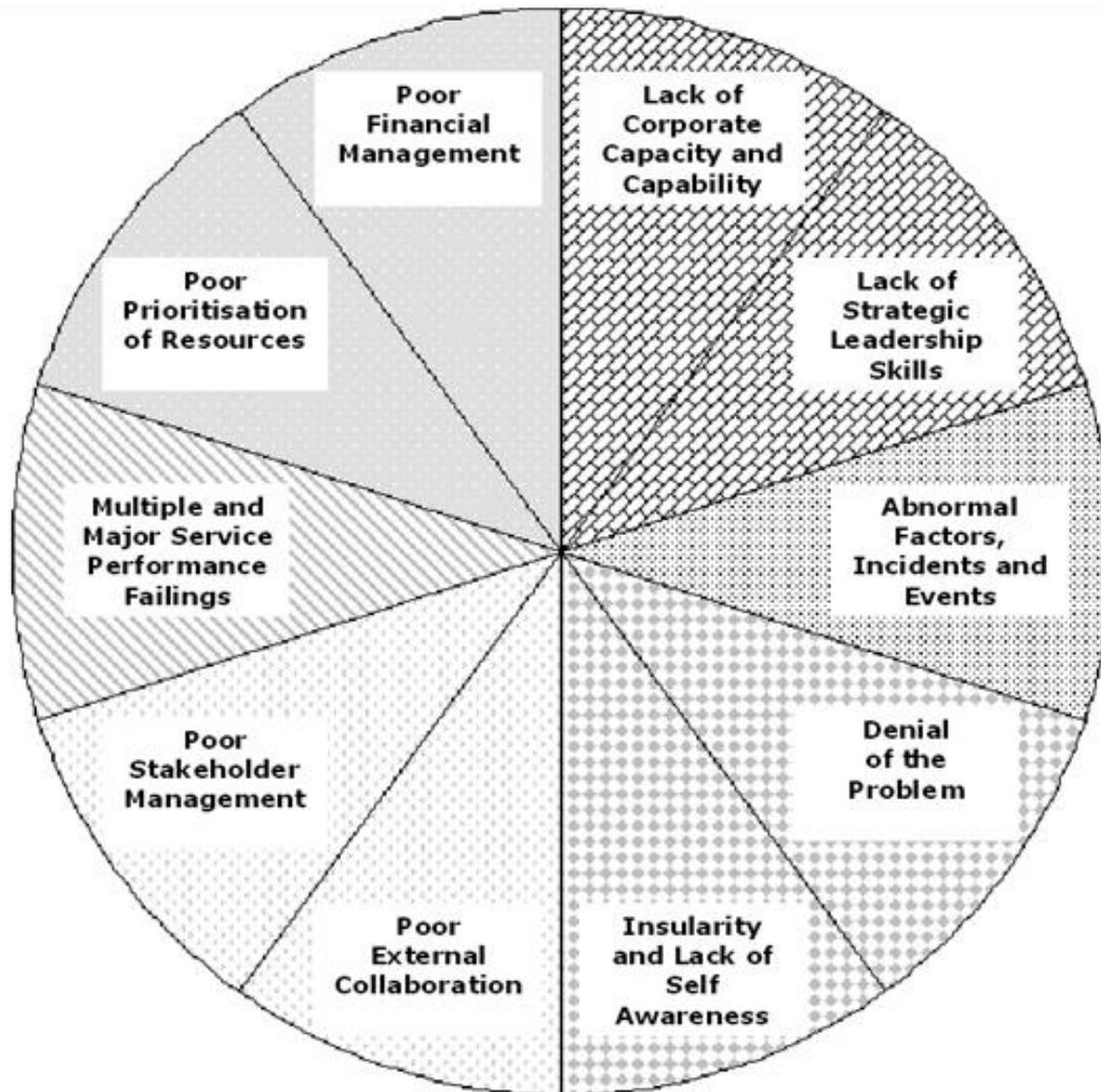
- These were the aspects that contributed to poor corporate performance
- Not all elements present in every case
- But tended to result from poor leadership leading to entrenched and inward looking cultures, denial and a lack of self-awareness

10 recurring improvement themes

Main Theme	Associated Sub-Themes			
Understanding Roles	Leadership	Politics	Community Leadership	Member v Officer
New People & Structures	Members	Officers	Cultures	Structures
Strategic Processes	Visioning	Formal Plans	Branding	Challenge & Governance
Prioritisation & Re-prioritisation	Deciding on Priorities	Scope of Priorities	Taking Difficult Decisions	Links to Other Plans
Gathering Intelligence	Internal Intelligence	External Intelligence	Self –Awareness	Resulting in Change
Performance Management	Managing Performance	Challenging Performance	Monitoring	Taking Action
Working with Others	Setting Priorities	Delivery & Capacity	Monitoring	Governance/ Leadership
Communication	Of Vision and Priorities	Internally and Externally	Variety of Methods	Role of the CEO
Support Systems	IT	HR	Financial Management	Project/Risk Management
Turnaround Processes	Short-term Operational	Long-term Strategic	Planned with Emergent Scope	CPA Trigger

Three Phases of turnaround "7 Rs" of turnaround

"Ground Zero"	REALISATION	REALIGNEMENT	REPLACEMENT
	Self/Peer Review	Intervention Team	*Leader of the Council*
	CPA Trigger	*Understanding Roles*	*CEO (interim)*
	Cognition (overcoming denial)	*Initial Prioritisation*	*CEO (permanent)*

Turnaround Phase	RETRENCHMENT	REPOSITIONING	REORGANISATION
	Operational Turnaround	*Strategic Turnaround*	*Management Team*
	Prioritisation (short-term)	*Strategic Management Processes*	*Strategic Management Processes*
	Taking Difficult Decisions	*Internal/External Vision*	*Communication*
	Performance Management Introduced	*Gathering Intelligence*	*Support Systems*
		Prioritisation (long-term)	*Developing Self-Awareness*
		Taking Difficult Decisions	Developing Cognition, Capacity and Capability
		Working with Others	

Sustainability	REINFORCEMENT
	Maintaining Self-Awareness
	Re-Prioritisation (self correction)
	Refining Strategic Management Systems
	Refining Performance Management
	Community Leadership
	Maintaining Cognition, Capacity and Capability

Leadership

- New appointments
  - Officer and member
- New approaches
  - Inclusive, improvement focussed
- CEO lead on turnaround
  - Strategic and operational (duality)
  - Short term and long term

Sustainability

- Reinforcement by "leaders"
- Refining strategic management processes
- Re-prioritising resources
- Refining performance management systems
- Maintaining capacity and capability

Summary of findings from the study

- Poor performance was usually due to internal rather than external factors
- Not all causes were always present but there were usually multiple causes
- Poor leaders = entrenchment, denial and lack of self awareness
- Improvement themes could be identified with three phases of turnaround
- Themes had to be "learned" by councils, this learning is part of turnaround
- Embedding of themes is key to sustainability
- New CEOs instrumental and apparently necessary
- New political leaders appointed outside of political process
- CPA was the main trigger for change
  - Directly – after first CPA inspection
  - Indirectly – Self assessment prior to CPA (IDeA and LGA peer reviews)
- Planned approaches dominated at the start
- Was this an inevitable outcome of the managerialist approach?
- The Rs of turnaround:
  - Retrenchment, Repositioning, Reorganisation (Boyne, 2004)
  - Realignment (Filatotchev and Toms, 2006), Replacement (Boyne, 2004)
  - Realisation and Reinforcement identified by the study

Current Contexts

- Austerity – huge reduction in resources resulting in significant and rapid change
- Removal of CAA, no formalised comparison of corporate performance (LGA voluntary peer challenge)
- Increasing use of shared services, pooled budgets and outsourcing
- Changes in local funding schemes
- Removal of the Audit Commission – Role of NAO/firms?
- Potential Risks?
  - Loss of strategic capacity and capability
  - Poor definition and control of commissioning
  - New and innovative approaches carry higher risk
  - Spotting failing councils too late…….
  - …..damage is too deep

LGA corporate peer challenge

- Voluntary peer assessment of leadership and corporate capacity
- Independent, flexible and targeted
- Self scoping and self selection of peer review teams
- Not an inspection
- Not reported to government
- Publication voluntary

Centre for Local Government and Regional Government Research – Assessment Findings

Strengths

- Tailored approach
- Quality peer teams
- Good experiences
- Most councils are publishing
- Resulting in improvement plans

But....

- Weakest need it most
- Challenge of maintaining quality teams
- Findings should be shared as widely as possible
- Introduce standardisation for comparison
- Preparation is key

Similarities

- Viewed as a valuable experience
  - CPA turnarounds valued the challenge and support (in the end)
  - all would recommend LGA CPC
- Reports are a trigger for change
  - CPA inspections or pre-CPA peer reviews
  - LGA CPC recommendations incorporated in action plans
- Focus and findings similar to corporate assessments
  - Agreeing achievable shared priorities
  - Leadership capacity (including community leadership)
  - Member and officer roles and working relationships
  - Improvements in strategic and financial planning processes (including prioritisation)
  - Greater self awareness and self confidence

Conclusions

- CPA brought about improvements to the way poorly performing councils were lead and managed
- LGA CPC seems to be having a similar positive impact, where used (but are these poor councils?)
- CPA was mandatory, visible and externally accountable
- CPC is voluntary, translucent(?) and internally accountable
- CPA was possibly a sledgehammer to crack a nut
- But will CPC pick up warning signs early enough?

Quotes……..

- [unlike officers] "Essentially, councillors only work for one council, how do you get them to see things differently?…***How do you get them to 'taste the coffee' in another council***?" (GLO2)

- "some councils had ***never heard of the IDeA***, didn't go to the LGA conference and didn't allow members to cross the boundary [*into other councils*]" (GLO1)

- "***Councillors believe that the CEO is their intellectual superior*** and are overly respectful, and don't question what they say". In such situations, there is "no strategic challenge, to go beyond what the officers told them they could do". (GLO2)

Quotes…….

- "no **Leader or CEO** that was part of the problem, were still in post after 6 months of the [first CPA] announcement" (GLO 1)

- "**holding up of a mirror**" (GLO1, GLO2 and Council B)

- "his answer to one of the questions I asked was "**well if we had guessed at different figures for our PIs** [after the poor CPA announcement], would we have we avoided the intervention"! It is quite difficult for anyone who comes from a halfway decent authority, to realise just how poor some of these authorities had got to"…. "there was downright incompetence…" (GLO1)

- "This meant **changing everything we did and how we did it**. We went from an organisation to keep people employed and have control to….how do you serve your public?…to give bloody good customer care and quality services" (Council A)

Quotes…….

- "There was huge emphasis placed on plans by the Government and the Audit Commission. ***But this emphasis was misplaced***"………"Initial plans were like war plans. They didn't survive first contact with the enemy" (GLO1)

- "I remember going out to meetings with my staff and they said "are we actually allowed to say what we think"… and I said "yeah"… and it's like "wow!"…and you could feel the organisation blossom***, it was a really cool time***, an exciting time". (Council B)

Quotes…….

- "the members will tell you what their priorities are until the cows come home, but **ask the Leader to set out what the main priorities are and he turned his mobile off for a month**" (Council B)

- "We are very good at taking on additional demands on our services in response to, say, changes in government policy, whether or not these are backed up by additional resources. What we are not so good at is deciding **what we no longer need to do**". (Council C)

- "Members started to develop priorities, but started out with far too many. We had to step it down to what was more manageable**…focus on what's important** within resources" (Council A)

- "Members had no ability to focus on the five things they needed to do. They were focusing on **too many priorities…and not being good at anything**" (GLO2)

Quotes…….

- "***They think your crap. Do you think your crap***?" (Council B)

- ***I don't think we would have changed*** if CPA hadn't come along." (Council A)

- "[*after the first CPA* result] we were all pretty shocked and upset. But it acted as **a real catalyst for us**. In fact, from [*the new CEOs*] perspective it was probably the best thing that could have happened, because it rallied the troops in a way that I think nothing else could have done, if I'm honest." (Council B)

- "the changes came from external intervention, or inspection……in our situation it was ***clearly an external trigger that started the process***" (Council C)

Council Interviewees

<u>The Chief Executive (CEO)</u> **(Council A)**

The CEO had worked for the local authority (a small district council) for almost 36 years. At the time of the first CPA announcement the CEO held the position of Director of Finance, in itself a very senior role. During the intervening period, the CEO was promoted a number of times. First to Director of Resources, then Deputy Chief Executive, followed by Acting Chief Executive and finally CEO.

<u>The Director of Finance (DoF)</u> **(Council B)**

The DoF had been employed by the council (a metropolitan borough) for a number of years ("since Adam was a lad") and had been DoF since 1999. In 2002 the DoF also took on responsibility for e-Government and IT with a focus on outcomes and transformation.

<u>The Finance and Transformation Manager</u> **(Council C)**

A Finance Manager and Transformation Manager, reporting directly to the CEO, who had been involved with the organisation prior to CPA, although had only recently joined the organisation at the start of the CPA regime. This was another metropolitan borough
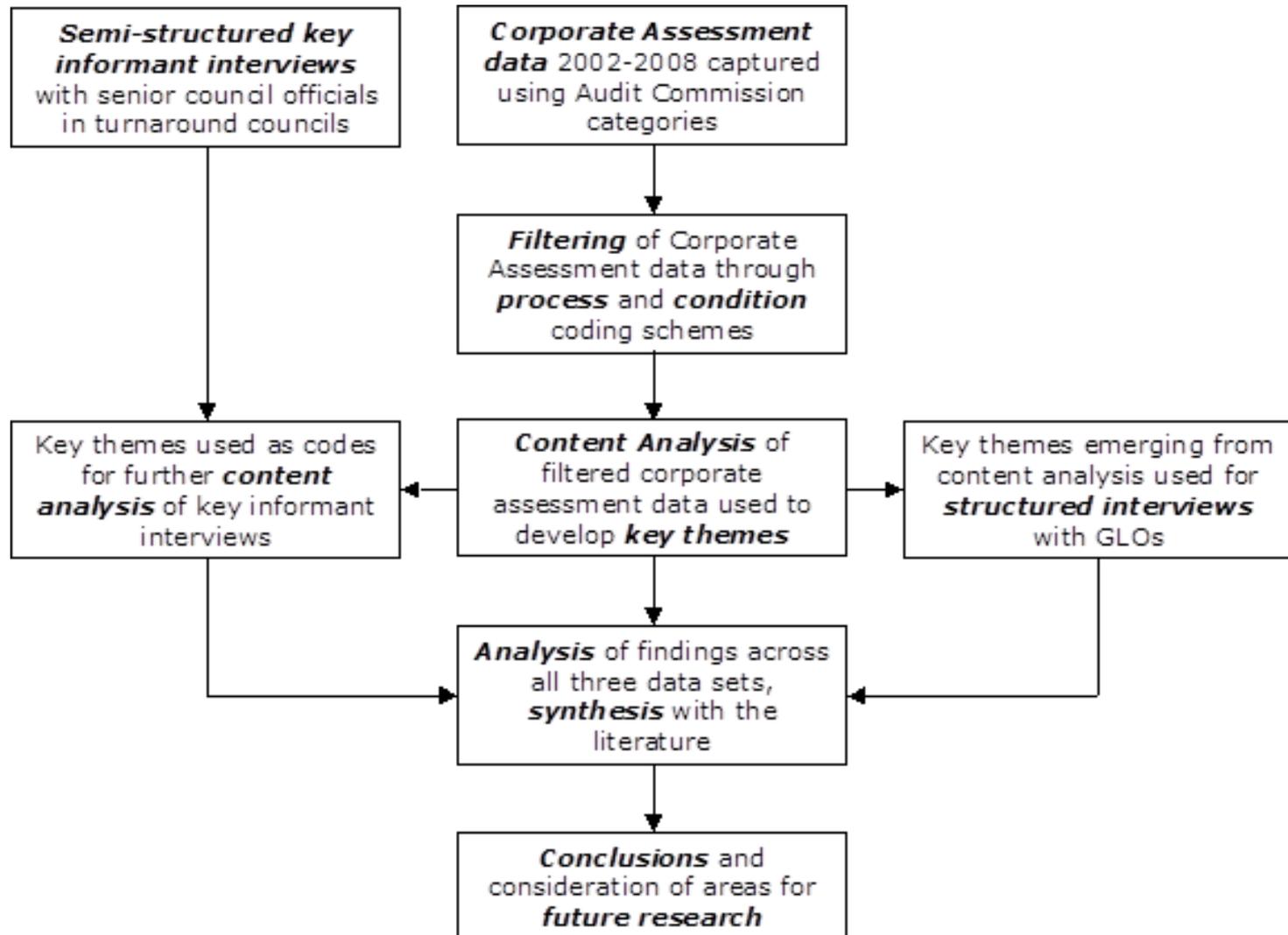
Government Lead Officials

<u>The Government Lead Official 1</u> **(GLO1)**

The GLO had previously been a local authority CEO but was co-opted by the ODPM to assist with the peer review and turnaround of failing local authorities under the Best value regime that predated CPA. Subsequently, the GLO became one of a number of GLOs operating under the CPA regime and was responsible for overseeing the interventions and turnaround of failing local authorities. The GLO personally had an involvement in 11 CPA interventions, all of which were successfully turned around and was employed by the ODPM throughout the CPA era. This GLO was the lead official for interview Council A and was therefore able to comment on the findings for this council.

<u>The Government Lead Official 2</u> **(GLO2)**

Similar to GLO1, GLO2 had previously been a Deputy CEO before being co-opted onto the GLO panel. He did not serve for the full CPA era, but was nevertheless involved in a number of successful turnarounds.

Approach to the Study

Semi-structured key informant interviews with senior council officials in turnaround councils

Corporate Assessment data 2002-2008 captured using Audit Commission categories

Filtering of Corporate Assessment data through **process** and **condition** coding schemes

Key themes used as codes for further **content analysis** of key informant interviews

Content Analysis of filtered corporate assessment data used to develop **key themes**

Key themes emerging from content analysis used for **structured interviews** with GLOs

Analysis of findings across all three data sets, **synthesis** with the literature

Conclusions and consideration of areas for **future research**

Filtering and Content Analysis

- Audit Commission Corporate Assessments used for content analysis
- Corporate assessments structured according to audit commission key lines of enquiry
- Filtering undertaken prior to content analysis to mix it up a bit
- Pre-condition filter based on causes of poor performance
- Process filter based on approaches to turnaround from the literature
- Content analysis undertaken of filtered data
- 10 recurring themes identified

Local Government – Early Literature

Causes of Poor Performance

- Self-Regulating v Permanently Failing (Jas and Skeltcher 2005)
- Cognition, Capability, Capacity (Turner and Whiteman 2005)
- Stress Rigidity or Threat Rigidity (Straw 1981)
- Situational Factors (Usually internal – (Turner and Whiteman (2005))

Responses

- Replacement, Retrenchment, Renewal (Boyne 2004)
- Twin Track Approach (Paton and Mordaunt 2004)
- Avoid Reductionism (Paton and Mordaunt 2004)

Findings from Private Sector Literature

Characteristics of Strategic Turnaround

- Operating vs Strategic Turnaround (Hofer 1980)
- Strategic Adjustment or Strategic Change? (Snow and Hambrick 1980)
- Turnaround as a distinct phase of strategy

Processes

- Realignment (Filatotchev and Toms 2006)
- Retrenchment followed by Recovery (Hofer 1980, Robins & Pearce 1992)
- The role of change agents (Khandwalla 1983)

Situational Factors

- Luck and timing (Wren 2001) /Environmental factors - causes and constraints (Dess and Beard 1984)
- Organisational size (Francis and Desai 2005, Landrum et al 2000)
- Factors of decline can impact on recovery - severe and rapid erosion of resources (Pfeffer and Salanick 1978)