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# The Design and Use of Local Metrics to Evaluate Performance: A Comparative Analysis of Social Care Organisations

## Literature Review

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# **THE DESIGN AND USE OF LOCAL METRICS TO EVALUATE PERFORMANCE: A COMPARATIVE ANALYSIS OF SOCIAL CARE ORGANISATIONS**

## **A LITERATURE REVIEW TO INFORM THE PROJECT UNDER THE ECONOMIC AND SOCIAL RESEARCH COUNCIL'S 'PUBLIC SERVICES: QUALITY, PERFORMANCE AND DELIVERY' PROGRAMME**

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## PREFACE

This report presents a literature review and other supporting information to inform the project: 'The Design and Use of Local Metrics to Evaluate Performance: A Comparative Analysis of Social Care Organisations' funded under the Economic and Social Research Council's 'Public Services: Quality, Performance and Delivery' Programme. The project runs from November 2006 to October 2009 and comprises four stages:

- First, a national questionnaire survey will be administered to staff responsible for performance monitoring in all local authority social care organisations in England and all health and social services trusts in Northern Ireland. The survey will elicit information about the range of measures used locally, the organisational context for this and the way in which performance is measured.
- Second, the project will conduct an enquiry into the relationship between patterns of local data use and approaches to performance monitoring and the rating of organisations nationally. Multivariate analysis of items from the questionnaire survey and their links to national performance data will be used to examine this relationship.
- Third, the extent to which the performance of organisations is associated with internal organisational and cultural factors will be investigated. This will help to identify the local management arrangements which are associated with more successful monitoring. The role played by external factors, over which local management has little control, on performance ratings will also be investigated. Multivariate analysis of questionnaire survey data and national data, supplemented by interviews with managers in areas adopting distinctly different arrangements will be used to investigate the nature and strength of possible associations.
- Fourth, the project will investigate how the UK top-down approach to measuring performance in this setting compares with a more local approach through a comparison with Japan, which is more 'bottom-up' – monitoring the care provided in municipalities (local government units). The comparative analysis will be based on data collected in the course of interviews with managers in a selection of organisations in the UK and Japan that, according to the results of earlier stages of the project, are identified as examples of good practice.

This literature review was conducted in order to identify and summarise relevant research, explore the issues in social care performance measurement and to inform the first stages of the project, particularly the design of the national survey. In completing this, we have benefited from the kind help of a number of people. We would like to express our thanks to members of the North West Performance Leads Group, in particular David Burnham, for their useful advice and assistance in the early stages of the project regarding their work in local authority social services organisations in England. Professor Takayuki Hirano of the Research Promotion Centre for Community Care, Nihon Fukushi University, Nagoya, Japan, provided materials used to develop his monitoring tool in use to evaluate the performance of

older people's services in Japan. Brian J. Taylor of Ulster University and Northern Health and Social Care Trust helped us by commenting on drafts of the description of performance measurement in Northern Ireland.

## CHAPTER 1 BACKGROUND AND CONTEXT

Since the explosion in the use of performance indicators and associated techniques of performance measurement in the 1980s, commentators have drawn attention to the different ways in which performance information may be used. Among the rationales ascribed to performance measurement in the UK public sector are (Propper and Wilson, 2003):

- As a mechanism designed to improve the performance of individual units such as hospitals, schools or local authority departments with the best performing units often held up as examples for others to follow.
- As a device aimed at improving the performance of the whole system of organisation, for example education or social care. Here, auditors and inspection agencies disseminate performance information as a way of signalling 'best practice' within a particular system (For example, see Audit Commission, 1985).
- As an attempt to foster 'pseudo-competition', for example when providers of health care provide performance information in a way designed to influence purchasers' decisions or in the UK care homes sector (Peterborough UK, 2004).
- As a way of upholding accountability, especially of local agencies to their clienteles or 'customers'. Here, performance measurement has taken the form of publicly available information such as 'league tables', which are often used to highlight organisations that perform poorly. The notion of public choice on which such systems are based has come under increasing scrutiny (6, 2003). This way of using performance information has also been employed to ensure accountability to higher 'central' public bodies.
- As an internal management control or *performance management* device (Curley, 1951). Here, performance information may not be made public but is used instead to assist local managers in monitoring the success of objectives and to inform resource allocation decisions.

These rationales for performance measurement have been vigorously applied to the UK public sector. However, the precise aims of performance systems are often not stated explicitly and similar mechanisms are used for different purposes (Propper and Wilson, 2003). There is also a lack of firm evidence as to the effectiveness of these approaches to measuring performance, since it is often taken on trust that, for example, the publication of performance information will eventually result in improved services by 'weeding out' or signalling those units who are performing poorly (Smith, 1990). In particular, the last use of performance information in the above list, namely as a feedback device by which local managers can strategically monitor services, lacks an appropriate evidence base, at least in some settings. The variety of ways local performance measures are used, rationales for the choice of measures, and the ways in which these measures are analysed has not attracted the same degree of attention as has their use for the purposes of national regulation. For social care at least, we simply do not know exactly how different approaches to measuring performance are configured locally and whether principles that may assist in developing more effective performance measurement systems have been successfully adopted. This last point is an important one as it is assumed (at least by those advocating national performance regimes) that there is a link between local

and national performance: that what local agencies *do* and whether they do it successfully is adequately reflected in national measures, or reported performance. However, this assumption has, to a large degree, not been empirically tested.

The lack of empirical examination of the use of these devices for measuring performance has, therefore, generated a research agenda that has, as yet, not been fully met. There is an opportunity for work assessing 'the performance of performance measures' (Propper and Wilson, 2003, pg.255) and in the following pages we review material of specific relevance to a PSSRU research project, funded under the Economic and Social Research Council's Public Services Programme, which examines the relationships between local and national performance in social care, as a contribution towards such an agenda. It is anticipated that the project will provide useful information that will shed light on the legitimacy of the recent systems of performance measurement that have been developed in this and other settings. The aims of this report are therefore expository: the literature is reviewed as a means of describing the issues relevant to monitoring performance in social care and to assist in later stages of the research, particularly those of data collection and analysis. The focus of this review is therefore to examine the context of performance measurement in social care and to determine the relevant factors to consider in the analysis of local performance and its links to national monitoring.

The research was deliberately designed as a comparative analysis between countries (both within and outside of the UK) adopting different systems of performance measurement, or contexts in which it occurs. This was because we wished to ascertain whether, and in what way, context influenced the way performance was measured in social care. The performance regimes of different countries and the way different systems have been adopted serves as a timely reminder that the way performance has been measured, and the rationales ascribed to these forms of measurement, are not natural in any sense, but are part of the political environment (Pollitt, 1986). Therefore, the proposed study seeks to compare social care organisations in England and Northern Ireland, analysing both the way performance measurement is configured locally and its links to any overarching regimes for monitoring performance that may exist at a national level. 'Local' in this sense relates to the work of the organisations delivering social care in the UK, which as part of local government, are in a particular and changing relationship with the centre. Various models of local or 'sub-central government' (Rhodes, 1988) have been developed and their relationship with central government, that since the managerialist reforms of the 1980s and early 1990s has increasingly sought control over their conduct, is an informative one to examine for performance measurement. This relationship, therefore, frames the work of the project. By comparing the local monitoring of performance, within organisations, both between countries adopting different approaches and with that adopted by central government, it is anticipated that the project will shed new light on the contested nature of performance in the public sector.

We begin by first drawing attention to the debates in social care concerning the national performance regime that has developed, particularly in England, and its sometimes antagonistic relationship with local management. Second, we provide a context for the project with some description of the nature of performance monitoring in social care and in local authority services more generally, of which social care is a

part, in both England and Northern Ireland. We then go on to explore evidence of the impact of performance regimes and in particular work mostly conducted in health care that has drawn attention to the often unintended consequences of publishing performance data. This material is important for the insight it offers as to the actual workings of performance regimes and how recently developed systems exhibit problems that require addressing. Lastly, we discuss the limited research that has been undertaken into local performance monitoring in social care. It is necessary to review this research to form a judgement as to the state of existing knowledge so as to be in a position to answer a question fundamental to the research: do the high-profile targets and performance indicators set by central government, particularly in England, accurately reflect local performance on the ground?

### **Performance measurement in social care: national regulation *versus* local management**

In the way in which we are to discuss them here, performance measurement techniques are now associated particularly with the incoming Labour government of 1997 onwards but their use is of long duration in the UK (particularly English) public sector. Hood (1998) identifies a mixture of 'hierarchist' (top-down oversight) and 'individualist' (competition and rivalry in the manner of judging organisations) approaches to performance measurement, stemming from Jeremy Bentham's (1830) *Constitutional Code*, which stressed 'yardstick comparison', where data (performance indicators) were used to compare units of management to produce what are now viewed as performance ratings and league tables. This manner of producing and using performance measures has persisted and has recently influenced a host of initiatives in health care, education, social care and other public services.

The approach has been particularly associated with the setting of targets and their linkage to public reporting of performance and regimes which reward or punish 'good' or 'poor' performance respectively (Bevan and Hood, 2006). Indeed, the performance monitoring of public services seems to have moved away from using information to analyse internal organisational processes towards the public consumption of performance data (Broadbent, 2003). In social care, since the White Paper *Modernising Social Services* (Cm 4169, 1998), such an approach has been viewed as one way to improve the effectiveness of social services councils, by opening up service delivery to scrutiny to hopefully enhance "quality and value for money and to ensure that local people are receiving the services that, as taxpayers, they should expect" (Cm 4169, 1998, section 7.3). A new national set of performance indicators was established from this point (the Performance Assessment Framework or PAF (Department of Health, 1999)) and measurement was linked to both rewards (financial and also reputational, through awarding 'beacon status' to those councils who could provide examples of good practice) and punishments, in terms of statutory powers to intervene in the case of 'failing councils' (Cm 4169, 1998, section 7.19-22; Huber, 1999). The style of this approach largely follows that in other sectors, such as the NHS, where performance measures and targets are used as part of an incentive structure whereby central government acts to persuade local agencies (in this case NHS trusts) to seek improvement. However, as with other areas of public service, the precise impact of such systems remains largely unexplored. Social care especially, in contrast to health care where research

has touched on the potential impact of performance systems (Propper and Wilson, 2003; Bevan and Hood, 2006), is an under-researched sector in terms of analysing the mechanics of such systems and whether they offer credible evidence from which valid judgements of performance can be made. However, social care offers a particularly fertile ground for exploring the workings of performance systems for at least two reasons:

- The national systems that have been put in place, mostly to inform central government regulation of local social services authorities have been subject to a degree of criticism (Lupton, 1989; Watson, 2002). This criticism centres on the perception, particularly from professionals such as social workers and front-line managers, that 'social care is different' (Wistow et al., 1994). The argument runs that social care, involving issues of personal care to vulnerable groups, sits uneasily with attempts to monitor its practices according to business principles that were initially the spur to developing performance indicators and other devices in the public sector. There is therefore scepticism about the national sets of indicators that have been devised in that they are viewed as at best, inaccurate and at worst, misleading and damaging. Although these arguments are sometimes based on erroneous beliefs concerning the desirability of monitoring in social care, stemming perhaps from the anti-quantification culture of some social care professionals (Macdonald, 1999), they nevertheless represent a view that is important to consider in the context of the present study. That is, does the current national regulatory use of performance measures offer a valid way of discovering and safeguarding good performance? Or, as some have argued (Office of the Deputy Prime Minister, 2005), should it be replaced by what are seen as more effective locally-based systems?
- Linked to the above, in social care local issues around service delivery and performance assume more prominence. Local authority social care organisations are accountable to local citizens with the associated argument that local circumstances and priorities need to be taken into account. National regimes for measuring performance are argued to be insensitive to local issues and often failing to take account of the particular circumstances facing 'poor performers' (Revans, 2002). Although an appropriate response to this may be partly to consider the measurement issues involved (Clarkson and Challis, 2006), there is also a very real sense in which national regimes may be blunt instruments for tackling problems with the way local agencies perform (Pollitt, 1984). It is in this context that many in the social care field, particularly professionals, challenge the indicators and performance systems that have developed. Because local issues are argued to be so important in social care, their study brings into sharp relief some of the criticisms that have been laid against national ratings in this and other areas of public sector activity.

There have been attempts to examine the evidence base for the way performance measurement has developed in social care (Cutler and Waine, 2003). However, much of this work is not, even in the broadest sense, empirical. Whilst objections have been raised to the approach in social care – as they have in other public services – these have not been accompanied by data on the workings of these approaches. We simply do not know how performance is measured locally across

social services authorities in the UK. Thus, it is difficult to discern whether there are grounds for believing that the recent approach is credible or, as the opponents argue, is merely an idealistic attempt at simplifying a very complex service into a limited and fundamentally flawed set of indicators. There is, therefore, a need for work exploring just how measurement is conducted in this setting and the degree of importance that may be attached to the different components used in national assessments of performance.

The national regime that has developed initially contained several assumptions that tended to be antagonistic to local sensitivities and led particularly to the questioning of the validity of measures. Presenting the league tables of social services performance in 2001, the then Secretary of State for Health Alan Milburn articulated the intention behind the presentation of performance indicators on a national basis across England:

“These tables remove the excuses for unacceptable variations in performance. This is not primarily about money. It is about management and organisation. And that is the value of these tables. They expose those areas where performance needs to improve. I know there will always be arguments about the details in the tables and the methodology behind them but for me – and I hope for you too – there is a simple principle at stake here – the public who use our public services have a right to know how well those services are doing in comparison with others”  
Milburn (2001).

Thus, the rationale for national ratings in social care, as in much of the UK public sector, is focused around variations between areas and the view that this variation is largely unacceptable. The consequences of and measurement issues around the use of particular measures and the arguments over whether some local authorities will find it difficult to improve performance due to difficult local circumstances are largely ignored. ‘Sound management’ is held to be the crucial determinant of improved performance (Cm 4169, 1998, section 7.1). The proposed study, therefore, is an attempt to frame this contested relationship between performance measurement (as now conceived in terms of national indicators) and local performance management (the local measures used and the organisational strategies adopted), in terms of empirical research examining the influences on performance ratings. If, as implied by the public reporting of performance, ‘local management matters’, then to what extent is local management responsible for nationally reported performance? Are other factors more important? Are there particular management skills responsible for enhancing organisational performance? Can these factors be examined empirically?

### **Performance monitoring in social care**

Before reviewing material that can help in attempting to fully address these questions, a description of the performance regimes that have developed in social care in England and Northern Ireland (the two main countries studied in the research) is required.

## ***The performance regime in England***

The performance regime in social care has developed quite considerably since its inception as part of the *Modernising Social Services* reforms in 1998 (Cm 4169, 1998). A useful brief guide is provided by Burnham (2006). Developed from local authority services more generally in the late 1980s and early 1990s, the public reporting of performance has recently become prominent as a means by which central government can establish the degree of progress made on national objectives. From 2002 an annual Star Ratings process has developed, akin to that for the NHS, which establishes expectations for social services councils and a range of indicators by which progress against these expectations is measured. Comparative analysis across councils, or groups of councils, enables information about performance to be gathered and presented (often against the averagely performing council) and for this information to be used in judgements of each authority's performance (see CSCI, 2006a, b).

Allied to this national judgement have been a series of initiatives designed to improve the way in which local management monitor their authorities' performance; in other words that of a local performance management framework. The focus of this initially has been at a corporate level in local authorities but the work of individual departments (such as social services) has been included more recently. Beginning with Best Value, introduced as part of the 1999 Local Government Act, local authorities were to meet statutory requirements to secure continuous improvements while having a regard to economy, efficiency and effectiveness and more recently equity. A rolling programme of Best Value reviews was designed to lead to improvements in how local authorities managed their own performance and were driven by the '4 C's' of challenge, compare, consult and compete. Statutory Best Value targets were established and reviewed annually by central government which had the authority to intervene if performance was not satisfactory. Intervention could be minor and involve a specific process of change to be implemented to improve performance or, at the extreme, could include removing functions from the authority's control. This largely self regulated system was succeeded by the Comprehensive Performance Assessment (CPA) introduced to local authorities in 2002 (Cm 5237, 2001). The introduction of the CPA indicated a reduction in the role of the Best Value regime, pulling together a range of performance information from various sources. The overall CPA 'star category' and its 'direction of travel' judgement are reached through the CPA framework (see Audit Commission, 2006) allowing councils to be categorised as excellent, good, fair, weak or poor. The direction of travel assessment then categorises the authority in terms of improvement within the four categories of "improving strongly", "improving well", "improving adequately", and "not improving adequately". Depending on the CPA judgement, the degree of central government participation regarding improvement processes will range from major intervention to opening a 'lighter touch' dialogue. Many, including Burnham (2006), see the CPA as raising the profile of social care within the local authority since the social services Star Rating contributes directly to the judgement made about the council as a whole.

In England, therefore, there is a tight regulatory regime for social care directed from the centre and councils are encouraged to follow a well defined path for making improvements, measured by national sets of PIs. However, there is also an interest

in improving performance management processes locally and in fact this is one underlying aim of the national regime: the use of national measures and responses to these by central government is predicated on the idea that local authorities who are successful in monitoring the achievement of their own local objectives will achieve high performance ratings. That is, performance management is seen as a key element characterising the success of a well-run local authority (Audit Commission/IDeA, 2005); this is emphasised by its inclusion in the CPA's corporate assessment in which, under the theme of performance management, assessment questions are posed concerning the approach to performance management and use of performance data to create a rating of 1-4.

An attempt at "Mapping the Local Government Performance Reporting Landscape" was undertaken by the Department for Communities and Local Government in 2006 (DCLG, 2006a) in order to better understand the volume, cost and value of central government performance reporting requirements for local authorities. Using only four case studies, this illustrative report found that the costs of the amount of management time employed to meet the national performance requirement were criticised to a larger extent than the financial costs incurred, with councils spending over 80 per cent of their performance reporting effort responding to the national performance regime, with less than 20 per cent of this effort used in the monitoring of local systems. Despite a central push to develop and progress local performance management systems, the burden and demands of central requirements has arguably limited the extent to which local frameworks can be advanced. The Office of the Deputy Prime Minister (ODPM) (2005) within the paper *Securing Better Outcomes: Developing a New Performance Framework* recognised that:

"... the multiplicity of overlapping performance management arrangements in operation in local government – some derived from central government and others used by councils themselves – does not provide the basis for a clear and effective system"

ODPM (2005, p. 26)

It is interesting that the national controls deemed to be of high value to the local authorities studied by the DCLG (2006a) typically possess one or more of the characteristics of being strategic, 'joined up' and most importantly, subject to local negotiation such as Local Public Service Agreements (LPSAs), Local Area Agreements (LAAs) and the Community Strategy. A performance necessity specifically highlighted as commanding low value in this study was the Adult and Children's social services reporting requirements, criticised as being particularly onerous and not 'joined up'. Therefore, In England, the regulatory regime that has developed for social care has been subject to some testing and some local factors of importance have been identified. However, there is considerable scope for more empirical work with larger samples to seek a more representative view of how central government performance assessment impinges on the local authorities and, in fact, how local arrangements can be tailored towards more effective measurement.

### ***The performance regime in Northern Ireland***

There are broad changes happening in Northern Ireland, which have implications for the measurement of performance and also for the conduct of the research project. Currently, Northern Ireland's integrated health and social services (HSS) system is

undergoing a process of major reorganisation as part of the review of the management and delivery of public services (see [www.rpani.gov.uk](http://www.rpani.gov.uk)). In April 2007, the 18 existing HSS Trusts were merged into five new integrated acute and community Health and Social Care Trusts (HSC): Western HSC Trust, Northern HSC Trust, Southern HSC Trust, South Eastern HSC Trust and Belfast HSC Trust. The Department of Health Social Services and Public Safety (DHSSPS) will become smaller although one of its roles will be to set strategic targets and monitor outcomes for the reorganised service. A regional Health and Social Services Authority (HSSA) will replace the four Health and Social Service Boards in April 2008. A key role of the HSSA will be to manage the performance of the new system. Seven primary-care led Local Commissioning Groups (LCGs) will also be established as local offices or committees of the HSS Authority. The LCGs will have the same boundaries as the seven district councils which will replace the existing 26 councils. The local government councils will have a greater range of powers and functions including a central role in community planning. A Patient and Client Council will replace the four existing Health and Social Service Councils. The Regulation and Quality Improvement Authority (RQIA) has been retained in its current form. The main functions of the RQIA are to inspect the quality of health and social services through reviews of clinical and social care governance arrangements, and to regulate (register and inspect) using minimum care standards, health and social services delivered by HPSS bodies and by the independent sector (see [www.rqia.org.uk](http://www.rqia.org.uk)).

The Reconfiguration Programme Board, assisted by twelve teams led by DHSSPS, has responsibility for overseeing the implementation of the HPSS reforms. One of the project implementation teams is focusing on performance management with a remit “to ensure the effective management of performance during the transition period and that the new structures when fully established are set within a more effective performance management structure”; and there is also a separate project implementation team for Social Services led by the Chief SSI “to set up structures and clear accountability arrangements within the new organisations to ensure the effective integration of health and social services” (see [www.dhsspsni.gov.uk/index/hss/rpa](http://www.dhsspsni.gov.uk/index/hss/rpa)).

The performance system that existed before the current set of reforms were initiated comprised a series of regular meetings, reports and reviews between the organisational units at each tier of NI HPSS based on the annual plans and performance goals set out by DHSSPS in Priorities for Action (PfA); the response by each area HSS Board reported in their respective Health and Well-being Investment Plans (HWIPs) in terms of the way in which they would meet the PfA targets; and a Trust Delivery Plan containing an account by each HSS Trust of how it would provide and deliver the services required to meet HWIPs requirements and PfA goals. The system has been criticised in terms of, for example, lacking information about the achievement of targets over time and about the consequences following on from meeting or missing targets and goals (Appleby, 2005).

A separate Research and Information Branch in DHSSPS collates and manages performance data that are returned by each Trust in order to contribute to the production of reports such as Key Indicators of Personal Social Services in NI (Northern Ireland Statistics and Research Agency, 2005) which compares the

performance of Trusts and Boards and facilitates the monitoring and review of individual local services as well as being used to generate analytical reviews of community care by, for example, SSI (see [www.dhsspsni.gov.uk/index/ssi/ssi-publications](http://www.dhsspsni.gov.uk/index/ssi/ssi-publications)). Each HSS Trust has its own system of monitoring performance activity. SOS CARE appears to be the principal social services client and activity reporting system and in some Trusts also includes PAMs activity. However, SOS CARE was considered by some Trusts such as the former South and East Belfast HSST to be dated and limited and they introduced or developed the 'Comprehensive Community Care and Social Services Management Information System' and more specifically the 'EASY' system for the assessment of older service users. Trusts vary in terms of the coverage by information systems (e.g. PROCARE and IMS) that were introduced in response to the community care reforms in 1993 with a view to monitoring and managing the performance of care management. The range of functions include recording the results of care management assessments, maintaining a record of the type and intensity of services provided and calculating payments to providers such as nursing and residential home care.

As noted above the current performance system is being reviewed as part of the reforms to NI HPSS and it is likely that a more effective robust performance framework will be produced. In Northern Ireland, however, there is no direct equivalent of the Star Ratings process for social care as in England and, overall, performance measurement processes appear to vary more and to be less centrally driven.

### **The impact of performance regimes**

As Propper and Wilson (2003) state in their review of performance measurement in the public sector, there have been few studies examining whether the stated aims of performance regimes have been achieved. Lessons from US health care tell us that despite a vast array of publicly reported performance measures, there is very little actual evidence of their benefits in terms of enhanced consumer decision-making, professional responses, or better outcomes of care (Schneider and Epstein, 1998; Marshall et al., 2000a; Smith, 2002). However, there has been an alternative impact of performance regimes considered in the literature, that of negative or dysfunctional consequences. The seminal work in this vein is that of Smith (1995) who, drawing on economic theories of the firm and the experiences of implementing performance schemes, identified a number of dysfunctional consequences of publishing performance data (listed in Box 1). Long before, Ridgway (1956) also drew attention to such unintentional consequences of performance measures.

**Box 1: The dysfunctional consequences of publishing performance data (after Smith, 1995)**

Gaming – the deliberate manipulation of behaviour to secure strategic advantage;

Tunnel vision – concentrating on areas that are assessed as part of performance schemes to the exclusion of other, equally important, areas;

Sub-optimisation – pursuing narrow objectives in line with those for which managers are held to account, neglecting wider goals of the service;

Myopia – concentrating on short term issues, which are covered by performance indicators so neglecting those in the longer term;

Convergence – emphasising practices so as not to be judged an ‘outlier’ rather than pursuing excellence;

Ossification – a disinclination to experiment with innovative approaches for fear of appearing a poor performer;

Misrepresentation – more serious examples of ‘creative accounting’ and fraud.

These behaviours have been apparent and studied in particular from the health services side, such as the excessive attention to waiting times and delayed discharges from hospital (to the detriment of measuring more innovative approaches which may improve health). Some examples will be given later in this report when the literature on the impacts of national regimes is explored. For social care, such consequences have been described but evidence of their existence is rather anecdotal, reflecting the possible guarded response of local managers if questioned about the reporting of their performance figures.

The importance of identifying such unintended consequences is that they draw attention to the difficult task facing the designer of any performance system: to seek a method of control which secures the objective of greater accountability whilst recognising that the incentives for ‘principal’ and ‘agent’ may differ (Goddard et al., 2000). This work is also useful as the empirical research conducted using this framework has identified how performance schemes, especially in health care, have actually worked as against how their designers intended them to work. It is not the intention of the present project to research whether such consequences have developed in social care, although the literature to be examined will touch on this. Rather, these unintended or dysfunctional consequences are important to bear in mind since their presence will influence how information is being used by local organisations; one of the central questions to be addressed in the research.

**Research on local performance monitoring in social care**

In order to respond to the national pressures to monitor their performance far more consistently than was the case in the past, social services authorities will require good quality local information and effective means of collecting it. Problems in the use of information for performance monitoring purposes have continually been reported in this setting (Department of Health, 1997). It is also the case that there

has been a lack of research in this area permitting authorities to learn from the experiences of others and from links to academic environments. Much of the social care commentary which exists, as stated above, has relied on a broad critique of the systems that have developed. However, for local management to tailor their activities to pursue improvements in performance, as required by the national regime, they increasingly need to have mechanisms in place to measure performance reliably and to act on evidence. As yet, however, there is a dearth of research describing how this may effectively be accomplished.

In contrast to the national use of performance information as a mechanism of regulation and control in this setting, there has been some limited research on the benefits of using performance data as part of an 'internal' management information system. Material from the PSSRU study examining the design and use of a suite of local performance indicators for social care has been presented in a series of papers (Clarkson and Challis, 2002a,b; 2003). For example, a system of performance indicators was devised for older people's services at the local level, employing a 'production relations' framework linking demand, need, service process, practice process (the tasks of care management as the professional means of delivering services), and outcomes (Challis and Warburton, 1996; Clarkson and Challis, 2003). This approach, using a coherent framework to link previously disparate areas of information was seen to contribute to a clearer relationship between the provision and the outcomes of care. The approach was viewed as beneficial by managers and also senior practitioners in one social services department.

At present, however, over and above the locally-based commentary that exists on this issue (Law and Janzon, 2002), we simply do not know exactly how different approaches to measuring performance are configured locally. Such a description of the current picture is essential before we can discern whether the adoption of a local system such as the one described in the recent PSSRU research can assist in developing more successful performance measurement systems. It is also not known whether the approach signalled as beneficial in this research is one that can be shared across social services authorities in England. The present ESRC research, therefore, is to explore the local influences on national ratings of performance and how these may be affected by conditions existing within organisations.

The preceding information and debates have set the context for the project. The literature to be reviewed is intended to frame the material to be considered as the project enters its questionnaire design and data collection phases. The next chapter describes the aims of the literature review, built around the key questions to be addressed in the research.

## CHAPTER 2            AIMS OF THE LITERATURE REVIEW

As stated in the introductory chapter, the aims of this review are: to consider the evidence around performance measurement, predominantly in England, at both national and local levels; to explore the relationships between them; and to offer insights from other countries, in terms of whether an effective design for local measures can be identified and whether appropriate techniques for local performance have been employed, using social care as an example. The review is focused around the questions to be addressed in the research, as identified in the original proposal to the ESRC:

1. Are there discernable differences in the way local social care organisations monitor their performance? For example, what is the range of measures used locally in this setting and how do these differ, if at all, from national measures?
2. Is there a relationship between how measures are used in organisations and how these organisations are rated in national performance reporting? What is the nature of this relationship and what does this say about the validity of national regulatory mechanisms for measuring performance?
3. What are the organisational influences on the level of performance of organisations, as rated in national data? Are some influences more important than others? To what extent are these influences within management control as opposed to being characteristic features of the organisation that are resistant to change in the short term?
4. Can anything be learned from other countries about the construction and use of measures to monitor local performance? In particular, for social care, can countries with more locally developed systems of performance measurement offer scope for improving local monitoring in the UK?

These research questions distil many of the issues explored in the last chapter, particularly those concerning the mechanics of local performance and how these relate to national monitoring. The questions are inter-related in terms of the issues they cover and it is found useful to separate them, as here, merely as a heuristic device. This report will concentrate on these research questions in order to frame a review of the literature. We now take each of these questions in turn with a discussion of the appropriate sources from which evidence and literature may be collected.

### **Question 1. Are there discernable differences in the way local social care organisations monitor their performance?**

This first question is fundamental to an understanding of how current social care performance measurement is configured. National performance measures and the conduct of the national regime, whereby the government has judged the performance of social services authorities on a national basis, have been charted in a number of publications (Department of Health, 1999, 2002, 2003; Commission for Social Care Inspection, 2006a). However, local performance and particularly whether and to what extent, local authority social services departments use specially designed measures to assist in strategically managing their services, is an issue that has been relatively unexplored. Some small scale surveys of the use of performance measurement locally exist (Caldwell, 2003). In addition, one PSSRU

study, as stated, has investigated the development and implementation of a suite of local performance indicators in social care services for older people within one local authority (Clarkson and Challis, 2002a; Challis et al., 2006). A related question to stem from this research is whether there are explicit principles that can be adopted for the effective measurement of local performance; in other words, whether there are any pointers to the way local measures may be used in this setting to enhance local performance. Although many useful guides exist (Audit Commission 2000a,b; Improvement and Development Agency, 2002), these are not domain specific and therefore may raise problems when translating types of measures used in one area to those of another. The literature from elsewhere, particularly the US where performance monitoring of federally mandated programmes has explored the use of performance measures and data collection strategies (Kravchuk and Schack, 1996; Kates et al., 2001) may offer some discussion of principles that may be usefully adopted in UK social care. In addition, it is not known whether the adoption of an approach, such as that advanced in our recent research in social care, would offer genuine improvements in the design and implementation of measures across English social services authorities. There is also no hard and fast evidence available to comment on whether national measures offer a useful guide to those developing measures reflecting local concerns, or serve to only constrain the development of local monitoring. All these issues are relevant in the context of social care as a locally-delivered service.

**Question 2. Is there a relationship between how measures are used in organisations and how these organisations are rated in national performance reporting?**

Evidence around the second question is obviously dependent on answers to the first. Characterising the way measures are used is a first and necessary condition for exploring the relationships between local measurement and national monitoring. There is very little, if any, evidence concerning these relationships specifically in social care. Researchers in health care have, however, drawn attention to the use of national ratings of performance and explored the impacts of these on local managers' behaviour. Here the work of Marshall et al. (2000a), Goddard et al. (2000), Mannion and Goddard (2000), and Mannion et al. (2005a) are particularly important. However, these studies relate to our research question only indirectly: they have investigated how performance reporting in the NHS has had an impact within NHS hospitals, not whether the use of local measurement has influenced the way these organisations are rated. Because UK social care is more locally managed than health care, it is important to study also the links between local management's use of performance information and the rating of organisations nationally. Findings from the study of these relationships may then be able to clarify the validity of the national regulatory mechanisms that have developed. There are some sources of information relating to local authority services that may offer useful information in this respect. There is a repository of local performance indicators which may be used by the wider local authority (which include some developed for social care) available from the Audit Commission and the Improvement and Development Agency (Audit Commission/IDeA, 2006a). These indicators have been developed by local authorities and are published in a web-based format to facilitate consistency in definitions and to enable authorities to conduct performance comparisons for the purposes of Best Value. There are also reports which survey the use of local

performance measures in local authority services (Department for Transport, Local Government and the Regions, 2001), including some which offer guides to constructing and using performance information (Audit Commission/IDeA, 2002; HM Treasury et al., 2001; Improvement and Development Agency, 2002). All these publications are sources from which to explore the uses to which measures have been put locally and their links to national ratings. In particular, there is a need to explore whether organisations in the UK (particularly local authorities) that have developed local 'bespoke' measures have been more successful in monitoring their performance than those which have relied mainly on national measures.

### **Question 3. What are the organisational influences on the level of performance of organisations, as rated in national data?**

This question is potentially one of the most important to consider in the study of organisational performance. The question lies at the heart of the rationale for introducing national performance regimes in social care and other public services: that is, there is an assumption that performance reporting will draw attention to certain aspects of organisations that, locally, may be amenable to change (Smith, 1993). In particular, within sectors such as the NHS, one of the often quoted rationales for using national performance ratings is that these draw attention to certain hospital trusts that consistently outperform others. The assumption here is that these 'exemplar' organisations contain a magic ingredient that determines 'good performance' and from which others can learn, namely that 'management matters' (West, 2001). However, in contrast, it may be that certain organisational factors are not amenable to change in the short term and, in fact, represent particular circumstances faced by local agencies that make it either easier or harder to improve their performance. This last point is often one levelled at those implementing performance regimes in the public sector, in particular those regulatory schemes at the national level. In social care, for example, doubt is cast on the national performance regime, principally by those working in local authority social services, due to its perceived failings in not addressing the particular circumstances facing 'poor performers' (Revans, 2002). The present research study is aimed at addressing some of these issues. Several sub-questions therefore emerge: are there organisational factors that can be identified as having a significant influence on the way performance is rated? If so, are these factors that are amenable to change? Or, are they, as is sometimes suggested, factors over which local management has little control? Is organisational 'culture' important in predicting which organisations will 'perform' better? Which management processes are the most important in determining how organisations perform? Obtaining answers to these questions will be important in generating items to be included in the national survey.

Organisational influences on performance have been reviewed as part of work for the NHS Service Delivery and Organisation Research and Development Programme by Sheaff and colleagues (2003). In addition the role of 'culture' in influencing performance in health care has been reviewed and empirically tested by Mannion and Colleagues (2005a) at the Universities of York, Manchester and St Andrews. Jacobs et al. (2004, 2006a), also at York, have tested the relationships between various factors inherent in the practices of NHS trusts and the national 'star' ratings they receive. An empirical analysis of the influences on performance ratings under the local government Comprehensive Performance Assessment (CPA) exercise has

been undertaken by Andrews et al. (2003, 2005) and by Boyne and Enticott (2004) at Cardiff. These sources provide valuable information from which to review these potential influences on performance in social care. The nature of these influences is important to consider as the validity of the national performance regime is built on the precept that it is organisational structure and processes (how organisations are managed) which are crucial in viewing the success, or otherwise, of local organisations in terms of how they are rated. If other factors – more resistant to change in the short term – such as the characteristics of people served, the size of the organisation and the level of deprivation in the area which it serves, are more important in influencing how these organisations are rated, then this would cast doubt on the soundness of the argument put forward for monitoring performance in this way.

#### **Question 4. Can anything be learned from other countries about the construction and use of measures to monitor local performance?**

As social care is an example of a particularly locally delivered service, this last question centres on whether there is anything that can be learned from other countries that have implemented performance measurement in a different way than in the English setting. In particular, are there countries with more locally developed systems of performance measurement that can offer scope for improving local monitoring?

Here, in the setting of social care for older people, Japan offers a particularly fruitful example from which knowledge transfer around the design and use of local measures of performance can take place. Since 2000, the Long-term Care Insurance system has been in place in Japan to support older people who require long-term care either at home or in institutions (Ikegami et al., 2003; Campbell and Ikegami, 2003). This initiative has been monitored by a performance measurement system, but at a local level (that of municipalities as the insurers of the scheme). This system tends to produce more detailed information of specific relevance to older people, which can be aggregated for local managerial and performance review as well as providing information for more broad brush monitoring at the local authority level. Interestingly, in Japan over 60 per cent of municipalities, which are responsible for administering the long term care insurance system, have adopted a common performance measurement software program in order to analyse and benchmark the implementation process (Community Care Policy Network, 2001; Institute of Health and Economic Programmes, 2002). This “bottom-up” approach has arisen precisely because the responsibility for variations between areas in implementation is the legitimate purview of the municipalities as insurers and national monitoring is, by contrast, relatively undeveloped.

For the English regime, there are important lessons from the Japanese context. In particular, the locally administered information relating to a common system of insurance makes possible the generation of client level data in a similar format, facilitating the development of a shared perspective of effective performance between similar municipalities, thereby permitting local benchmarking. In England, such a shared approach is hampered by the lack of appropriate common information other than those items of information prescribed from the centre. However, some recent developments appear to seek reconciliation between the top-down approach

adopted by English governments to performance measurement and the bottom up approach similar to the one developed in Japan (Department of Health, 2004). Material from Japan, particularly the work of academic researchers who are far more involved in devising measurement systems to assist the local authorities than they are in England, can therefore be used to offer lessons for future work. In particular, this material can be investigated to help discern whether there are any explicit elements that have helped to make this local monitoring more successful.

These observations have established the broad aims of the research. We now turn to a brief consideration of the methods used to examine the questions set out in this chapter: a literature review across the public sector.

## CHAPTER 3                      FRAMEWORK AND METHODS

The literature review considered here is not a systematic review in the precise meaning of that term, whereby all the relevant work in an area is systematically appraised (Petticrew and Roberts, 2006). According to the typology posited by Macdonald (2003), this review is a 'narrative review' in that studies relevant to the research questions of the proposed project have been collated and appraised. We have attempted to draw conclusions from the reviewed literature around the area of social care performance measurement but have not employed specific decision-making rules for the choice of the work to be included. The literature is therefore reviewed for a specific purpose: to inform the future conduct of the project, in particular in deciding on the questions to be included in the national survey as one of the central elements to the research. This chapter describes briefly the framework within which the literature was interrogated and the methods of searching for relevant literature that were adopted.

The literature search drew heavily from previous PSSRU work on performance measurement described in a recent book *Performance Indicators in Social Care for Older People* (Challis et al., 2006). In that work, the history of performance measurement in social care is described and an analytical model and suite of performance indicators were designed to assist local measurement and management of performance in English social care organisations. Much of the literature cited in that book was reviewed by re-reading the original books and journal papers referenced there and discerning their relevance to the research questions listed in Chapter 2 on the relationships between local and national performance. It was intended also that the review would employ literature across the public sector, attempting to discover its relevance for the social care setting and the conduct of the proposed research.

### **Identification of relevant literature**

This section describes the methodological process undertaken in identifying and obtaining the relevant materials used to inform this review.

Key papers were primarily identified through searches of electronic bibliographic databases (CSA Illumina, Emerald, Social Care Online, Social Sciences Index, Social Services Abstracts, SOSIG) covering journal articles, books, book chapters and reports.

A matrix of search terms was used to investigate the electronic catalogues of literature. Search terms included various combinations of the key words and phrases: 'performance', 'management', 'measurement', 'information', 'data', 'public sector', 'public services', 'social care', 'organisation', 'strategy', 'culture', 'local', 'national', 'best value', 'targets' and 'indicators'. Further references were identified via citations included in key publications of which the researchers had a prior awareness and those publications acquired during early database searches.

The websites of relevant bodies and professional organisations were also searched in order to identify key research, reports, papers and reviews. A comprehensive search was undertaken of Internet resources in the UK and internationally. The key

sites identified included the Audit Commission, The Local Government Agency, Improvement and Development Agency (IDeA), Department for Communities and Local Government and The Centre for Local and Regional Government Research (CLRGR). Overall, the literature that emerged from these searches was placed within at least one of the four research questions identified in Chapter 2. This was so that the literature reviewed could act as an information source to refer to when completing the later stages of the project. In particular, the reviewed material was considered as vital to exploring the issues to be considered in constructing relevant questions for the survey to social care organisations in England and Northern Ireland.

The next chapter presents the findings from the literature review on the links between national and local performance and their relevance to the proposed project.

## CHAPTER 4 THE REVIEW: EXISTING EVIDENCE

This chapter examines the evidence from the literature, focussed around each of the four questions outlined earlier. These questions are interlinked and so the material considered will often be relevant to answering more than one question. However, the questions are listed as important aspects to be considered in the project and are stated here in order for the evidence reviewed to inform the project particularly in its early stages. The questions considered, in turn, are:

- Are there discernable differences in the way local social care organisations monitor their performance?
- Is there a relationship between how measures are used in organisations and how these organisations are rated in national performance reporting?
- What are the organisational influences on the level of performance of organisations, as rated in national data?
- Can anything be learned from other countries about the construction and use of measures to monitor local performance?

### **Question 1. Are there discernable differences in the way local social care organisations monitor their performance?**

It will be remembered that there are a number of supplementary questions to be addressed within this theme on the nature of local performance in social care: in what way is local performance measured? Are there any explicit principles that can be adopted which may lead to more effective measurement? What can be made of the research that exists in this area? Is there evidence, particularly in England, of the use of national measures and do these offer a useful guide to those developing measures reflecting local concerns? To address these questions, which hopefully will provide information of use in designing the questionnaire survey in the first stage of this research, a variety of literature was interrogated.

#### ***In what way is local performance measured?***

Characterising the way local performance is measured in the present setting poses problems, not least because there is a dearth of commentary on the issue. There are several commentaries available on the national PIs that have developed for social care (Miller, 1986, 2002a,b, 2004; Warburton, 1989, 1993) but information on how measures are used locally is lacking.

Burnham (2006) offers a particularly useful review of how performance measurement processes have been adopted across social care organisations in England. This work is not in any sense a survey of current approaches but draws from the author's personal experience in working within the performance measurement regime for social care. This author's account is intended to inform front line practitioners (such as social workers) of the national regime that has developed and its links to how local management have measured performance in social care. This work points to the fact that most of the information used to monitor performance in social care is at present located in the national sets of PIs that have developed. The approach of social care managers has been predominantly one of responding to the national performance measurement regime and there is little reported use of individually tailored measures

for use at a local level to assist in the performance management of activities. Burnham (2006) mentions that many authorities do not, as yet, receive regular feedback of performance at a team level and data are not used in all authorities, for example from reviews, to enable reports of performance to be made to teams and individual members of staff. More recently, however, there have been proposals for a 'lighter touch' to be considered in the way national inspection agencies monitor performance with a greater degree of self assessment from authorities themselves. Such proposals may, in the author's view, enable the collection of locally tailored information for use in analysing performance. However, the present picture for social care, at least in England, is one where "senior managers are starting with an imposed system – not something they can amend in the light of local conditions or experience" (Burnham, 2006, p.75). In social care, much of the staff reaction to pursuing indicators and performance targets (described as a feeling of reduced control and lack of value) is attributed to management interpretation of the national PIs. The pressure on managers to respond to the indicators, rather than the factors that underpin them, may be great and so a range of quotas for activity (such as admissions to residential care) have developed. The result has been a general frustration and suspicion among front-line staff such as social workers.

One small-scale review of performance measurement in local authorities in the South West of England, conducted by Caldwell (2003), similarly reported that the demands on managers (and on practitioners as the ones generating the data used for performance analysis) have been so great as to preclude the development of locally-based systems within social care organisations. Whilst the social services managers surveyed agreed that PIs could be useful tools to provide management information, many experienced the *controlling* element of performance measurement. One concern was the time and resources required for the collection of information with many managers stating that their IT systems were not able to collect information quickly. However, there was evidence of some local PIs being developed although central government indicators often took precedence. Some of the local indicators being developed at the time in this small sample of authorities even included those at the level of the individual worker. Overall though, there was a belief that national PIs often did not yield locally relevant information.

Other commentary from social care, although difficult to generalise from owing to the small number of participants involved, also indicates that social services authorities have tended to rely on the national measures of performance that have developed. A small-scale, informal consultation with social services managers by Law and Janson (2002) concluded that the national PAF indicators were perceived as providing better information than that existing before the national regime from 1998 onwards and that this could lead to greater accountability. This view was, however, tempered with one of needing to clarify some of the indicators used, to more consistently support staff reporting the information and to recognise the importance of local context in developing and analysing performance indicators. Plank (2004) comments that good progress has been made in performance management in social care compared with previous periods. However, this progress has largely been due to external pressures from the national performance regime although with the advent of Best Value many authorities began to use locally derived measures with associated targets.

Outside of social care, there have been surveys conducted relating to the use of performance measures locally in the US. These surveys may offer some pointers to the sorts of questions that may be useful to ask of those implementing systems in this setting in the UK. For example, Poister and Streib (1999) examined the use of performance measures across US municipal (city and county) government. Among the local measures developed and used were those of: workload or output; unit cost and efficiency; outcomes or effectiveness; service quality; and client or citizen satisfaction. Most respondents signalled the main motivator for using local measures was to assist management decision-making with rather fewer using them as a response to citizen demands for accountability or external (federal) reporting requirements. The authors also asked respondents who was involved in developing measures, with the majority (90 per cent) indicating that departmental and programme managers were involved in developing measures. Rather less (3 per cent) indicated that citizen groups were involved in developing measures. Regarding the form that measurement took, the majority of respondents reported that measures were derived from the mission, goals and objectives of departments and around half indicated that standards or targets are established for performance measures. Interestingly, only around 40 per cent of respondents indicated that they tended to focus on what was important to measure rather than on available data. Other questions, useful to characterise local performance measurement in the present study, included: whether performance is tracked over time; whether similar measures are used to compare across operating units; whether performance is compared against other local government units; and whether 'response cards' are used to measure customer satisfaction. One difficulty cited in this study, potentially relevant to the present work, is that many respondents may have overstated their use of local performance measures. This may reveal the use that local agencies think they *should* be making of performance measures; such social desirability bias may be a fact that needs to be borne in mind when designing the national survey.

### ***Principles for more effective performance measurement***

In terms of signalling principles that may assist in more effective local measurement, appropriate evidence may have to be identified from countries outside the UK. Much of the literature on the use of local measures in the public sector comes from the US. Since the Government Performance and Results Act (GPRA) of 1993 (United States Congress, 1993) mandated the use of measures to monitor federal agencies' performance, a wealth of material has been published detailing the types of measures used, principles for the collection of measures and the analysis of performance. GPRA required every federal department or agency to develop five year strategic plans linked to measurable outcomes through annual performance plans, beginning in 1999; showing startling resonances with the UK Best Value regime. Kravchuk and Schack (1996) detail several 'design principles' for what they see as effective performance measurement under the Act; one of the many challenges being the multiple nature of objectives in the public sector, which requires multiple and inter-linked sets of measures (a point raised by other authors, see Dixit (2002); Propper and Wilson (2003)). Their design principles are listed as:

- formulate a clear mission and objectives;
- develop an explicit measurement strategy (including the categories of measures needed, input, process, outcome, etc., the specific measures within

each category, data definitions, data collection and storage, access and reporting formats);

- involve key users in design and development;
- rationalise the programme structure (including clarifying related objectives);
- develop multiple sets of measures for multiple users;
- consider the 'customers' throughout the process (including their needs and satisfaction measures);
- provide each user with sufficient detail (the need for sufficiently detailed information with which to inform has to be balanced against the need to not burden users with more information than they can handle);
- periodically review and revise measures (necessary to ensure relevance of the measures and flexibility in design);
- take account of complexities upstream, downstream and laterally;
- avoid excessive aggregation of information (particularly the search for one, or a few, overall measures).

Other commentators in the US have discussed elements in common with those above but from a more local perspective. Nicholson-Crotty and colleagues (2006) reviewed educational programmes in the state of Texas to focus on one of these issues, the choice of performance measure. In an analysis of 711 school districts, they found that the feedback obtained about performance depended on the type of measure chosen and the sorts of analysis conducted. One example given was of a relatively poor district whose managers had an incentive to measure the outcome of interest (school dropout rates) in the same way as federal regulators rather than in terms of a locally derived measure as this showed their organisation in a more favourable light. Other factors, not all within the control of local management, also tended to influence the performance ranking obtained. These authors concluded that the measurement of other factors such as those reflecting the district's environment (for example, wealth), district size, student characteristics and teacher quality can all affect performance ratings and also can inform managers about the potential influences on the outcome studied. Similar arguments have been put forward from an analysis of a national measure of social care performance in England (Clarkson and Challis, 2006).

Kates et al. (2001) also focus on an explicit measurement strategy as one of the elements, as above, that can serve to produce more effective monitoring of performance. They applied a structured approach to performance measurement for a major US public health programme where, analogously to social care in the UK, significant local variation existed. Their approach to developing local strategies for performance measurement used a 'whole systems approach', which first identified and described the purposes, goals and objectives of an activity. A model was then developed to identify the most important elements of this activity and to specify the relationships between them. Performance *dimensions* – broad areas of evaluation aligned with purposes, goals and objectives, were then defined. From these, a 'universe' of potential indicators was devised from which the most critical for any particular evaluation could be selected (Kates et al., 2001). The analysis of indicators took place against a comparator or *standard*; a reference point from which to judge the deviation of actual practice from what is desired or expected. Defining the standard was reliant on clear and measurable objectives for activity, and indicators were continuously compared with the standard to offer feedback for

improving future performance (Donald, 1967; Emmanuel et al., 1990). Integral to ensuring effective measurement was the identification of current data capacity, gaps in existing data collections and future data needs. For social care organisations in the UK, where arguably local issues in service delivery predominate, these guidelines offer a useful way of applying performance measurement principles and techniques. In the planned national survey, this structured approach could be used to devise appropriate questions concerning whether managers have implemented an effective approach to monitoring performance within their organisations.

There is a body of work investigating the implementation of performance measurement within organisations (in contrast to that externally imposed), which offers various criteria of success for effectively monitoring performance. Such work provides a research-based template for effective performance measurement, in that these criteria can be reframed as questions in the national survey in order to locate organisations in terms of their adoption of practices for the design and use of local performance measures. Lingle and Schiemann (1996), for example, summarise that companies adopting performance systems that offer benefits are characterised by:

- Agreement by managers on the strategy to be adopted;
- Clear communication across the organisation;
- Alignment of effort with a focus on what matters;
- A positive organisational culture.

Similar sets of principles have been voiced by other authors examining performance systems in private business organisations. Gold (1982) considered the factors most likely to improve performance in both private and public sector organisations. He concluded that the characteristics of successful organisations include: well established organisational objectives; an identifiable organisational culture; people-orientated management; delegated responsibility; and clear performance goals with regular feedback to staff. There seems to be a consensus of opinion that the most pressing issues to consider when seeking to effectively measure performance are those around 'change management' processes including the 'softer' elements of 'commitment', 'purpose' and culture (McCalman and Paton, 1992; Bourne et al., 2000, 2003). Some of these issues are addressed below where we consider the role of organisational factors and their influence on performance. De Waal (2003) concludes that:

"Performance measurement and control systems cannot be designed without taking into account human behaviour...Positive outcomes are generated by better strategic alignment of employees and better motivation, which indicates that causal relationships exist between performance management system design, management control use, managerial and employee behaviour and performance"  
(De Waal, 2003, p.689).

Business commentators have attempted to apply some of these factors to the measurement of performance. One of the best known and widely used performance measurement systems in this regard is the balanced scorecard, a system designed as a performance measurement device for use by private organisations developed by Kaplan and Norton (1992, 1996). The scorecard 'balances' a set of both financial and operational performance measures to provide an overall view combining several

areas of performance concurrently. This approach allowed some factors previously viewed as intangible, unimportant or immeasurable to be considered (Hepworth, 1998).

Since its original construction the balanced scorecard has developed to provide the structure for a strategic management system (Kaplan and Norton, 1996). The balanced scorecard concept emphasises the links between an effective performance measurement system and organisational strategic focus (Kaplan and Norton, 2000). Within this work a number of principles for success have been articulated: a successful strategic focus requires the need for effective leadership which drives change and implements a clearly translated strategy that is understood and driven at all levels of the organisation and is continually reviewed and linked to other intelligence systems. Although created for use within for profit organisations, examples are evident of how the balanced scorecard system has been successfully applied within the public sector, despite problems involving fundamental concepts of the application (Kaplan, 2001).

In the UK, there is also a sizeable literature concerning local authority (corporate) services written by such bodies as the Audit Commission, which outlines a set of principles for more effective performance measurement within organisations. This literature is drawn from reports that predominantly discuss issues for performance at the local authority level more generally but these may be used to frame principles that are useful also for social care. The fundamental themes which structure these principles are recurrent in this repetitive grouping of work. The literature has emerged from the introduction of the Best Value regime as a source of guidance for local authorities dealing with the increased emphasis now placed on performance management, measurement and the use of information. A series of Management Papers were published by the Audit Commission with a focus on the issues tied implicitly to the principles of Best Value regarding service improvement. These Management Papers included, amongst others, the titles:

*Better by Far – Preparing for Best Value* (1998)

*A Measure of Success – Setting and Monitoring Local Performance Targets* (1999a)

*Planning to Succeed – Service and Financial Planning In Local Government* (1999b)

*Aiming to Improve: The Principles of Performance Measurement* (2000a)

*Getting Better all the Time: Making Benchmarking Work* (2000b)

*On Target: The Practice of Performance Indicators* (2000c)

Reflected through the literature is the increasing emphasis placed on the role of performance information, from the introduction of Best Value to the emergence of the CPA in 2001. The CPA, although a modification to the process, officially exists within the principles of the Best Value regime. However, its introduction was viewed by some authorities as signifying the “*de facto end*” of Best Value (Martin et al., 2003). The CPA process has continued the drive for effective performance management, with the issue identified as a key driver for improvement by the first round of CPA (Audit Commission, 2003). The Corporate Assessment component of the CPA evaluates, along with other corporate activities, all elements of the performance management system and provides a specific assessment rating.

A number of the principles of effective performance management are established around the concept of the 'golden thread'. The term 'golden thread' is increasingly used by local authorities to describe the links between the high level objectives of the authority and service plans and individual action plans (Audit Commission/ IDeA, 2002). Other principles involve issues around management procedure or the use of performance data; whilst some emphasise the role of a performance culture. These principles are summarised as:

- clear and focused objectives based on evidence;
- objectives established within a hierarchy, originating from the Community Strategy flowing to the corporate objectives informing departmental and service aims down to personal objectives and action plans;
- clear and defined roles for each member of staff allowing them to see their contribution or that of their team in achieving the objectives of the organisation;
- an embedded performance culture in which performance management is driven by effective leadership with good communication to promote the commitment of staff;
- consult users in the design and improvement of the system and in target setting in areas for which they are responsible;
- measures of achievement focused on the attainment of outcomes;
- quantifiable measures of performance in which priorities are translated into specific, measurable, achievable, realistic and time related (SMART) targets to allow a judgement to be made on the achievement of strategic objectives and aims;
- hierarchy of PI's allowing national, local and management PI's to have a role in the performance management system;
- reporting of performance data must be timely, focused on priorities, tailored to the user and highlight both good and poor performance;
- PI's must provide a balanced view of the activities of the local authority to reduce gaps in performance knowledge and prevent bias or perverse incentives;
- regular refinement of performance measures to respond to changes in priorities;
- Members' involvement in setting objectives and targets and scrutinising performance and the success of interventions;
- robust systems of planning, monitoring and review which enable areas of poor performance to be highlighted and improvement action taken;
- connected frameworks of human resources, project management, procurement, finance and performance review to enable the setting of objectives and targets to be aligned with resource allocation.

These principles have been compiled with reference to a number of key sources which include Audit Commission/ IDeA (2002, 2005, 2006b); Audit Commission (1998, 1999b, 2000a, 2000c, 2002, 2003); IDeA (2001, 2002, 2005) and HM Treasury and others (2001).

A number of comparisons may be made between the principles derived from UK literature produced to inform the practice of local authorities and those principles

originating from the US literature. Both sets of principles highlight the clarity of objectives as significant, the quality of the objectives formulated appears to be at the core of an effective performance management system. The UK literature emphasises the notion of the 'golden thread' to a greater extent, a hierarchy of objectives and the connecting links between the levels of the hierarchy are central. Similarities are evident between the two lists; both call attention to meeting the needs of the user, robust strategies of measurement, review and customer requirements.

There are many checklists available which have been framed to assist both managers and members within local authorities in improving how they manage and measure their performance. These checklists can be drawn upon when devising questions to include in the national survey.

### *Summary*

These studies show that there are several principles put forward in the literature that may assist local organisations in effectively monitoring their performance. Despite different contexts across sectors and countries, there seem to be common threads emerging regarding established principles for more effectively measuring performance. These principles may be related to questions in the planned survey, which will be intended to discern the extent to which authorities have developed a credible and effective performance management system. The studies also show that any disparities between locally-derived and national measures may produce incentives for managers to 'game' the system, i.e. to choose flattering measures rather than those which may be useful internally. Such arguments are extensions of those advanced in the work of Smith (1995) and others, which were detailed in Chapter 1, and are of long duration in public sector analysis. The work of Peter Blau (1955), for example, was instrumental in viewing the generation of statistical indices of performance as being useful in assisting internal control of the organisation but also as generating dysfunctional consequences – providing incentives to those measured to change their behaviour to achieve good ratings:

"What makes statistical records of performance a potent force is that they make differences and deficiencies in performance generally *visible*, not only to every official, but also to colleagues and superiors. It is this visibility of everyone's shortcomings that sets into motion attempts to overcome them. It is also this visible evidence of relative standing that engenders competitive tendencies. Finally, it is the focus of attention the public record provides that encourages the displacement of goals in the form of practices designed merely to affect the *measure* of performance and not the performance itself"

(Blau, 1955, p.50, italics in original).

### ***What can be made of the research that exists in this area?***

Within social care specifically, a PSSRU study used such principles to develop and implement a local performance measurement system for older people in one local authority (Clarkson and Challis, 2002a). A suite of indicators was developed reflecting the work of local authority social care around a number of key domains: need, service process, practice process (the tasks of care management as the professional means of delivering services), and outcomes (Challis and Warburton, 1996; Clarkson and Challis, 2003). Through a series of workshops and engagement

with senior managers, a series of performance indicators was trialled and implemented at different levels within the authority, and was able to examine the work of different teams through comparative analysis. This study is one of the few research projects, in the UK at least, to address the development of performance review at a local level in social care. In terms of addressing specific questions in our national survey as part of the present project, at least two concerns highlighted by this research are raised for consideration. First, there are the difficulties experienced by managers in translating the need for systems to review the work of social services, into measures that are useable and meaningful. Here, the framework developed as part of the PSSRU research (see Clarkson and Challis, 2000) could be employed to identify what types of measures are being used locally across social services authorities. The national survey may then be able to explore whether a comprehensive set of local indicators has been developed or whether authorities use only the national measures prescribed for them from the centre. Moreover, analysis of the survey could explore whether authorities who have developed local indicators informed by such research are actually rated as better performers.

Second, there is the issue of the 'logic' of using indicators and information from performance systems (Westat Inc/US Administration on Aging, 1999; Schacter, 2002). One aspect found to be useful by users of the performance measurement system in the PSSRU research was a step by step approach to stating aims and constructing measures found useful in other areas, such as in US work (Kates et al., 2001). This logical approach avoids falling into one of two traps identified in a review by the World Health Organisation (Murray and Frenk, 2000): that frameworks for performance measures are either, inclusive lists of desirable goals with which to measure progress or, evaluation approaches built around existing, readily available, indicators. Neither approach enables performance to be adequately assessed in a structured, comprehensive, and meaningful way. A more logical approach to developing local measures would be to: first, identify and describe the purposes, goals and objectives of activity; then develop a model to guide the collection of measures; define performance dimensions, which can act as reference points to set standards for activity; and from these, to devise a 'universe' of potential indicators to guide performance review (Kates et al., 2001). Such an approach to developing local measurement systems may be useful as a template for developing specific questions in the national survey concerning how local performance management systems have operated. It would also be useful to know, from this, whether such an approach has brought about benefits among those employing it, in terms of their performance ratings. Data analysis further on in the life of the project could address this question.

### ***Evidence of the use of national measures***

Substantive evidence as to the use of national measures and the problems encountered in local authority social care is slight compared to the criticisms that have been levelled at the regime. In social care in England, the use of the PIs that have been reported to central government has been described by Burnham (2006). In the initial response to the national indicators, for example in 1999/2000, authorities were reported to be experiencing problems with data collection and storage and often returned only data sampled from parts of the year or from areas of the authority. There were also differences in interpretation of some indicators across the

country. Thus, the quality of the measures reported suffered. With the introduction of Star Ratings in 2002, Burnham (2006) reports that as 'success' and 'failure' were now reported in an easily digestible format, authorities were under more pressure to improve accuracy and many succumbed to 'tunnel vision' and other 'unintended' consequences described in Chapter 1. Some authorities began to employ staff to engage specifically with reporting on the national PIs and the annual reporting process became a major driver within social care with committed resources.

Cutler and Waine (2003) provide a critique of the early development of the social services Star Ratings from 2002. Their paper casts doubt on the reliability and the accuracy of the measures used and the lack of consistency between 'hard' measures and 'softer' information (such as that from reviews and inspections) that together form the national judgment as to performance, employed at that time, by the Social Services Inspectorate. These authors argue that the rationale for national performance ratings (public accountability, in terms of empowering citizens to scrutinise their councils more closely) depends on reliable and accurate ways for the public to view improvements and, following from this, on a consistency of approach in the way councils are assessed. The authors argued that the early development of national measures in social care failed to conform to both these requirements; thus raising questions as to how effectively these measures could reflect, in a credible manner, the underlying performance of these organisations.

It is difficult to form a clear view as to whether the use of national measures offers a useful guide to those developing measures to reflect local concerns. A prevailing view from social care managers is that the recent demands for returning data, to be used in national performance reporting, have been so great as to preclude the further development of locally-based systems within social care organisations (Caldwell, 2003). One problem is that the types of data required at a national level are at a level of aggregation inappropriate for monitoring, for example, work within teams. One further problem has been a technical one of devising appropriate indicators to inform work locally and ensuring management commitment to a process of implementing a performance management system (Challis et al., 2006).

## **Question 2. Is there a relationship between how measures are used in organisations and how these organisations are rated in national performance reporting?**

The question of how organisations are rated and to what extent this relates to how they actually 'perform' on the ground is a fundamental one. If there is a strong relationship between measurement locally and national ratings then these ratings would tend to be judged as a fair representation of how these organisations are conducting themselves. If, on the other hand, there is no relationship, or a very weak relationship, then this would tend to cast doubts on the coherence of national regimes for monitoring performance. Much of the research exploring this issue comes from work in the NHS in England. The work of Russell Mannion and others at York has analysed the impact of the star performance ratings in acute hospital trusts and provided useful information on whether the system of national ratings, as has developed, seems a fair reflection of work on the ground. Some of these findings seem particularly relevant to our work in social care.

## ***Impact of NHS star ratings***

Mannion et al. (2005b) studied the impact of the star ratings system, developed from September 2001, on the work of managers locally through case studies in both 'high' and 'low' performing trusts. They found that, in general, star ratings did not offer a 'rounded' or 'balanced' view of these organisations' performance with sometimes information used to compile ratings being viewed as incomplete and inaccurate. The example given of one 'under-performing' trust seems particularly apposite. This trust scored only 'one star' in the national ratings but managers viewed this as unfair, given that it had received recent favourable reviews from both an inspection and an independent review. This difference between local perception and national rating was found to be due to the measures used in compiling the star ratings, which tended to ignore clinical factors. There was also evidence given that some managers in 'high performing' trusts had received this rating through manipulation of data such as re-classifying trolleys as beds. In addition, other negative impacts of star ratings were identified, such as distortions of clinical priorities to fit the figures rather than what was seen as beneficial to patients; bullying of staff to maintain favourable ratings; and the erosion of public trust and reduced staff morale in those organisations rated poorly.

Picking up on a specifically measurement issue from such research, Snelling (2003) reported on the most important areas of a hospital's performance in determining star ratings. His analysis suggests that despite the vast amount of information considered during the star rating assessment, a successful star rating may be predicted by a Trust's performance on just three key indicators. The performance achieved in cancelled operations, two week maximum waiting times for suspected cancer patients, and financial management significantly determined star rating in this analysis. Also, the methodology used to award star ratings was described as inconsistent; indicators of good performance were emphasised in a dissimilar way in different areas of assessment. The system used to calculate ratings was significant in determining the final star rating received. The author completed a revised balanced scorecard using the outcomes of services, employing the same data and a similar methodology to those used by the Department of Health. Interestingly, only 41 per cent of Trusts received the same star rating as that awarded by the national assessment.

The risk that nationally derived performance ratings are influenced by performance within only a small number of areas is further illustrated by Jacobs et al. (2004), whose large quantitative study of NHS acute Trusts and PCTs discovered that almost 61 per cent of the variance in star rating among acute trusts was attributable to performance in CHI inspections and key targets. When examining star ratings across PCTs, 65 per cent of variation was explained by both key targets and indicators.

Further work by Jacobs and colleagues (2006b) examines the limitations of composite measures used to assess the performance of public services. The construction of the NHS performance star ratings and local authority CPA ratings highlighted a number of concerns. Despite the usefulness of these composite measures to summarise performance, methodological problems regarding weighting systems and decision rules were highlighted, as small changes in the composition of

these resulted in a dramatic impact upon rankings of organisations. In addition, the composite measures do not allow for the random variation of performance indicators over time. Jacobs' work with colleagues (2004, 2005, 2006a) allows the limitations of these national ratings to be examined and draws attention to the implications of using these measures in an environment that bases policy and practice decisions on, and attaches rewards and punishments to, the outcome of a composite rating.

### **Question 3. What are the organisational influences on the level of performance of organisations, as rated in national data?**

Literature focusing on this area – the way in which organisations are structured, how they function and whether these elements influence 'performance' – is seen here as central to the aims of the present research. This is because there is an assumption by those implementing performance regimes that changes in particular aspects of organisations will lead to improvements in the way services are delivered, or in outcomes thought to be of value. By reviewing this literature we would thus be in a better position to identify more precisely the local factors that may influence both the internal performance of organisations and also, by inference, how they are rated. There is a vast literature on this subject, particularly in health care. Fortunately, a comprehensive review of this literature is available (Sheaff et al., 2003), which can act as a basis for knowledge on the subject.

Sheaff et al. (2003) considered literature on organisational theory and the evidence from health care (although a limited number of studies also considered social care) to form conclusions about the relationship between organisational factors and performance. A review of this evidence is contained in Table 1, which follows the authors' framework for considering organisational environments, structures, processes or activities, and outcomes.

These authors did, however, draw attention to the weak methodologies of many of the studies reviewed, which therefore poses difficulties in generalising the results of the review, particularly to other settings such as social care. In addition to this, the reported relationships between organisational factors and performance are complex and inter-dependent; for example, the way in which organisations are structured shows associations with outcomes, but also structure seems to be related to environment, which is also associated with processes. These links are relevant to how data from the study will eventually be analysed and taking our lead from the literature, multivariate analysis to tease out the influences of these separate factors would seem necessary. Relevant also to data analysis is the operationalisation of many of these factors that occur within organisations so as to permit measurement to take place.

**Table 1. Research findings on the links between organisational factors and performance (after Sheaff et al., 2003)**

Relationship to performance	Relevant papers
<b>Element (levels of analysis) Environmental</b>	
<u>Labour Supply/Market</u> - The ability to recruit and retain skilled staff has an impact upon the quality and costs of services provided.	Blundell and Macurdy (1999); Department of Health (2000)
<u>External Reporting of Performance Data</u> - Performance reporting to the public has the potential to enhance performance, increasing consumer pressure to improve services. Some evidence suggests that the public does not make full use of published data and a lack of choice of alternative service providers reduces potential user responses. It also has the ability to produce adverse outcomes as organisations fear the consequences of poor performance or exploit the benefits of a favourable performance rating.	Hannan et al. (1994); Peterson et al. (1998); Bost (2001); Mannion and Goddard (2001, 2003, 2004); Marshall et al. (2000b); Schnieder and Lieberman (2001); Goddard et al. (2000); Smith (1995, 2003)
<u>Responding to Change</u> - Organisational success relies on the extent to which an organisation achieves a suitable fit between its strengths, weaknesses and the external environment. An organisation located in an uncertain environment is most efficient if in possession of an organic structure; an organisation located in a stable environment would benefit from being more mechanistic.	Lawrence and Lorsch (1967); Young et al. (1992); Blair and Boal (1991); Pettigrew et al. (1999); Dimaggio and Powell (1983); Meyer and Tucker (1992)
<u>A Politicised Sector</u> - An organisation will experience more conflict in the delivery of services when dealing with elected officials and separate financing of public, private and voluntary organisations.	Mur-Veenam et al. (2003); Bozeman and Kingsley (1998)
<u>National Policy</u> - National policies to increase inter agency collaboration leads to difficulties as organisations have contradictory policies which obstruct collaboration.	Ledwith (1999); Khan (2003); North (2000)
<u>Responding to change</u> - Changes in an organisation's environment produce either inertia or innovation within an organisation. A decision making process which is participative and open is associated with an entrepreneurial strategy.	Chenhall and Morris (1995); Keats and Hitt (1988); Deniz et al. (2001)
<u>Competition</u> - Competition between service providers has been shown to have the ability to reduce excess capacity and prices. Competition can reduce quality when service users are not directed towards higher quality providers.	Propper (1996) ; Propper et al. (1998, 2004) ; Söderlund et al. (1997)
<u>Institutional Factors</u> - Social capital has minimal links with performance. However, trust and civic norms have a significant impact. Trust between purchaser and contractor increases the likelihood that un-measured aspects of the service provided by the contractor are not neglected.	Hofstede et al. (1990); Dore and Sako (1989); Knack and Keefer (1997); Davies and Mannion (2000); Mannion and Smith (1997); Mannion and Goddard (2004)

Relationship to performance	Relevant papers
<b>Element (levels of analysis) – Organisational structure</b>	
<p><u>Hierarchy</u>- The establishment of clear objectives and goals, transmitted downwards through a hierarchy has been linked with changing working practices, management of innovation and team working. If an organisation has an excessively differentiated vertical structure, communication and learning will reduce.</p>	<p>Wallace et al. (2001); Blair and Boal (1991); Ferlie (1997); Schuler (1980); Tsai (2002); Pettigrew et al. (1992); Drory (1993); Zinn and Mor (1998); Milliken et al. (2003); Gardell (1977); Metcalfe and Dick (2001); Redfern and Christian (2003); Shortell et al. (1998); Walston and Bogue (1999); Harber et al. (1997); Ryan et al. (2001); Brooks (1994); Dovey (1997)</p>
<p><u>Decentralisation</u>- Studies regarding the influence of decentralisation on performance (regarding processes) provide conflicting evidence. The formalisation of work processes is generally beneficial to an organisation. A decentralised decision making structure may support higher job satisfaction and improve efficiency, managerial effectiveness and encourage innovation.</p>	<p>Hales (1999); Zetka (1998); West and Anderson (1992); Armandi and Mills (1982); Greenhalgh et al. (2003); Luksetich et al. (2000); Schmid (2002); Hage and Aiken (1990); Singh (1986); Love et al. (2002); Flood et al. (1998); Moch and Morse (1977); van der Vlist (1989)</p>
<p><u>Horizontal Organisational Design</u>- A semi detached silo hierarchy allowing professional autonomy preserves professional values and standards and results in greater physician satisfaction. However, it can enable professionals to obstruct or promote managerial decisions regarding change. Networking procedures within these structures has the potential to increase co-ordination and assists in the adoption of organisational innovation.</p>	<p>Newton et al. (2000, 2003); Vandenberghe (1999); Zinn and Mor (1998); McHugh et al. (2001); Royston et al. (2002); Miner et al. (1994); Pettigrew et al. (1992); Lane et al. (1991); Cheng (1983); Bate (2000); Redfern and Christian (2003); Stevens et al. (1992); Currie (1997); Blair and Boal (1991); Greenhalgh et al. (2003); West (2002); Miller (1998)</p>
<p><u>Size</u>- There is no evidence that there is one 'ideal' size of organisation. Little evidence is available to support the view that size will directly influence performance or that large organisations will benefit from economies of scale</p>	<p>Marsden et al. (1994); Wilkin et al. (2003); Gooding and Wagner (1985)</p>
<p><u>Ownership</u>- Within the public sector, managers are not the owner of their organisation and may pursue objectives that are inconsistent with those of the 'owners'. The use of performance targets may increase the commitment of service providers and improve delivery.</p>	<p>Daily et al. (2004); Jensen (1989); Li and Simerly (1995); Stiffman et al. (2001); Goss (1970)</p>
<p><u>Technology</u>-The implementation of information technology has been linked to improved performance. However, little research exists on the types of technology and the effects on organisational performance.</p>	<p>Mitchell and Shortell (1997)</p>

<b>Relationship to performance</b>	<b>Relevant papers</b>
<u>Configurational Theories</u> - A good fit between strategy, structure and environment will enhance an organisation's performance. The evidence suggests that one 'ideal' structure does not exist. However, an adaptive structure will perform better than a rigid hierarchy in a changeable environment.	Hamilton and Shergill (1992, 1993); Ketchen and Palmer (1999); Weir (1996); Arlow and Gannon (1982); Zinn and Mor (1998); Jennings and Seaman (1994); Masten (1993); Drazin and van der Ven (1985); Priem (1994)
<b>Element (levels of analysis) – Processes or activities</b>	
<u>Working Practices</u> - Investigations into the relationship between process and outcomes conclude that there is no one best way to organise. Protocols and guidelines have a greater impact on structure and financial status than on improving outcomes.	Donabedian (1980) ; Issel et al. (2003) ; Dreilinger et al. (1982); Zinn and Mor (1998); Maciel (1998); Nicholas (1982)
<u>Management Routines</u> - The fit between strategy and structure influences organisational performance. Good communication and low risk decision making are associated with good performance and assist in implementing change. Managerial control has a greater impact on staff morale than other performance measures.	Tourish and Hargie (1998); Singh (1986); Jones et al. (1994); Hamilton and Shergill (1992, 1993); Ehlen et al. (1999); Shannon et al. (1997)
<u>Human Resource Management</u> - A moderate relationship between HRM and organisational success is evident. HR management is seen to impact on staff morale, motivation and commitment.	Jackson and Schuler (1995); Kacmar et al. (1997); Allen and Meyer (1993); Metcalfe and Dick (2001); Harris and Ogbonna (2001)
<u>Changing Activity</u> - Readiness for change in the long term is a key determinant of success. Change is most effective when it is concerted, multidimensional and dramatic.	Davis (1995) ; Oxman et al. (1995) ; Grimshaw et al. (2001); Narine and Persaud (2003); Miller and Friesen (1982, 1989)
<u>Internal Climate</u> - The internal climate of the organisation is shown to have an impact on staff satisfaction, morale, innovation and turnover.	Randall et al. (1999) ; Lane et al. (1991) ; Pool (2000) ; Meyer et al. (2002) ; Rizzo et al. (1970); Greenhalgh et al. (2003)

As displayed in Table 1, some of the organisational factors considered show particular relationships with performance, broadly conceived. However, for social care, some of these findings contradict those previously established. Local authority size, for example, is one factor which previous social care research has considered important in examining performance (see Davies (1969) and James (1966) examining the effects of size on the performance of children's and older people's services). More recent work undertaken by Andrews and colleagues on behalf of the DCLG (2006b) has tested the effects of size and their empirical research concludes that larger authorities tend to perform better than smaller ones. However, specifically relevant to this study is the finding that the departments within an authority that have larger budgets, such as social services, are less influenced by size. There is therefore a need to include some factors considered in the above review in our proposed survey in order to test out these relationships within social care.

## ***Organisational influences on performance***

The question as to the degree to which the performance of an organisation is influenced by internal organisational factors, controlled by the decision making of management, as against external factors, over which managers have limited control, has been raised by some research studies. A notable study undertaken by Jacobs and colleagues (2004) examined the nature of internal and external factors in determining the awarded star rating and achieved performance in key targets of both NHS acute Trusts and PCTs. Higher performing acute trusts were shown to be associated with the performance of some managerial indicators (including reduced length of inpatient stay; the increased availability of day theatres; good financial management with a higher retained financial surplus; staffing issues concerning the proportion of agency nursing staff; and vacancy rates of nurses, midwives and health visitors). The extent of managerial control over these indicators is questionable; budgetary constraints and external local market conditions may dictate managerial process and strategy, for example. A limited number of truly external factors were shown to influence performance, allowing the authors to conclude that managers may legitimately be held to account against their acute trust performance ratings. The performance of PCTs was more complex to interpret with analysis suggesting that socio economic deprivation can affect star ratings and some key targets in both positive and negative ways. Some managerial indicators were shown to influence performance and included accessibility of psychiatric beds, health care expenditure and waiting times.

The degree of managerial control over factors that may explain variation in PCT performance was further analysed by Jacobs et al. (2006a) in which explanatory variables included in multiple regression models were classified into five groups along a scale from “no managerial control” to “total managerial control”. Only 33 per cent of the variation within star ratings was explained by the variables, with a larger number of variables classified as examples of those which management could exert control than those over which managers have very little control. Analysis regarding the performance of PCT’s in each of the individual key targets also uncovered the significant effects of managerially controlled factors such as waiting times; the range of services provided, such as GP’s providing minor surgery; and the proportion of male GP’s. As discovered by Jacobs’ previous work (Jacobs et al., 2004) deprivation was found to have a significant impact on the achievement of 7 of the 9 key targets and did not consistently provide the expected negative effect, leading the authors to conclude that factors outside the control of managerial action have a significant effect on performance ratings of PCT’s.

The achievement of good performance ratings of both acute trusts and PCT’s has therefore been shown to be associated with performance within a limited selection of areas associated with organisational and activity factors, which are, to some extent, under the control of managerial staff. The evidence suggests that despite the limited effects of socio economic factors on the performance of acute trusts, the performance of PCT’s is influenced, both positively and negatively, by factors associated with deprivation.

## ***Organisational 'culture'***

Organisational 'culture', defined as "the pattern of shared values and beliefs that help individuals understand organisational functioning and thus provide them with the norms for behaviour in the organisation" (Deshpande and Webster, 1989, p.4), is important in studies of performance for several reasons. First, as stated, there is the assumption that there may be certain cultures of public service organisations that are predictors of either good or poor performance. Second, these cultures may be amenable to change and changing culture is one underlying mechanism that is used to 'turn around' previously failing organisations. Third, with respect to the research to be considered in the present study, there have been attempts to operationalise the concept of culture so that the effects of these potential links can be studied. Scott et al. (2003a), for example, have reviewed the existing instruments available for measuring culture in health care. There are a number of issues to consider in deciding to employ a particular instrument. The authors counsel researchers to choose an instrument to measure organisational culture that is closely aligned to the purpose and context of the proposed research. For example, investigators wishing to explore a global view of organisational culture may wish to use the Competing Values Framework designed by Cameron and Freeman (1991); those wishing to explore the culture of a particular organisational sub-group may therefore wish to use an instrument such as the Nursing Unit Cultural Assessment Tool (Coeling and Simms, 1993). There are also measurement issues to consider, such as whether a 'typological' or a 'dimensional' approach to culture is required; an issue which will be dependent on the design of the study, for example if it is wholly quantitative or qualitative or whether a large sample size is required. In addition, the practical issue of the number of items in the available instruments needs to be considered for ease of administration, especially if culture is just one variable to be analysed alongside others (the review considered scales ranging from 15 to 135 items for example). The prospect of mixed method designs was also considered by Scott et al. (2003a) in that a more balanced picture of organisational culture will often be obtained by questionnaire measures alongside interviews with key staff at different levels of an organisation.

Scott et al. (2003b) reviewed the evidence of the relationships between organisational culture and performance in health care. The comprehensive review of existing studies provides some evidence to support the claim that organisational culture may be a relevant factor in determining the successful performance of an organisation; however, the evidence is not conclusive. The relationship between culture and performance is not simplistic as a strong culture does not assure a rating of good performance. The work of Gerowitz et al. (1996) is cited by the authors as providing compelling evidence to support the conclusion that health care organisations possess different, measurable cultures which are associated with different aspects of performance; it is suggested that the areas of performance valued by the dominant organisational culture may be the areas in which the organisation excels. A conditional and complex association connecting organisational culture and performance is therefore existent with further research necessary to provide insight into how the two are linked. Highlighted by the paper are the many methodological limitations of previous studies regarding the difficulty in defining and operationalising the terms 'culture' and 'performance' as variables that are both theoretically and practically distinct. Greater skill and creativity in

methodological technique is deemed necessary by the authors to further analyse this complex relationship.

An important study testing the relationship between culture and performance in health care is that by Mannion and Colleagues (2005a). Employing both qualitative case studies and a quantitative study of all NHS acute trusts the work concludes that organisational culture is significant to the high quality and good performance of NHS acute trusts and primary care trusts. The study identifies and groups the cultural characteristics related to high and low performance of organisations under the following headings:

- Leadership and management orientation - high performance is associated with strong, top down management styles.
- Functionality of middle management - strong and empowered middle management is required for an organisation to perform well.
- Accountability and information systems - lower performing organisations lack developed information systems and clear lines of accountability.
- Human resource policy - a dynamic human resources operation is beneficial; higher performing organisations give added attention to this function.
- Relationships within the local health economy - a Trust with good networks and relationships with their PCTs is expected to perform well in specific areas.

The authors selected the Competing Values Framework (CVF) (Cameron and Freeman, 1991) as the most appropriate instrument to quantitatively assess and measure organisational culture. First described by Quinn and colleagues (Quinn and Rohrbaugh, 1981, 1983; Quinn, 1988; Quinn and McGrath, 1985) and developed by Cameron and Freeman (1991), the CVF has been used to assess the culture of various types of organisation.

The CVF applied the Jungian framework, originally used to identify personality types, to allow the examination of organisational culture. Jung (1923) created a model of psychological archetypes, theorising that an individual organises their experiences into a limited number of categories, allowing an individual to organise underlying values and assumptions. As the formation of culture is based on these values they can be used to identify certain types of culture in organisations. The four categories of organisational culture forming the foundation of the CVF are clan, hierarchical, market or adhocracy. Cameron and Freeman's (1991) model of cultural congruence for organisations presents the four categories along with their dominant attributes, leadership style, bases for bonding and strategic emphasis. A clan culture is typically defined as cohesive, promoting a sense of family in which leaders are seen as mentors or parent figures emphasising the roles of loyalty and tradition. An organisation with a clan culture will have a strategic emphasis on developing human resource involving staff commitment and morale. Hierarchical cultures are led by rules and regulations with a coordinating leadership style; of strategic importance is the aim to continue stability. Goal orientation with focus on competition is associated with a market culture. An organisation of this type will strive for competitive advantage and market dominance. Adhocracy is characterised by entrepreneurship; this type of organisation will be willing to innovate, take risks and possess the flexibility to adapt.

Highlighted by the analysis undertaken by Mannion et al. (2005a) is the relationship between the dominant organisational developmental culture and high star ratings. Characterised as being willing to take risks, creative, adaptive, innovative, and bonded by entrepreneurship, a developmental (adhocracy) organisation is more able to achieve a high star rating in comparison to clan, rational (market) and hierarchical organisations. A key finding of this work is that the culture of an organisation is conditionally linked to performance. The areas of performance in which the organisation does extremely well are the areas valued highly by the principal culture. A clan culture, typically focused on internal structure and group cohesion, receives fewer complaints and has higher staff morale than the other types of organisational culture. An organisation with a rational culture, in contrast, will experience lower staff morale and more complaints than other organisations with a different culture as this cultural type demonstrates a mechanistic and competitive approach. This work, and the methods of analysis chosen, appears readily translatable into the social care setting.

### ***The Learning Organisation***

Government strategy and the modernisation reforms of the NHS in 1998 promoted the development of an organisational culture in which the role of learning from past errors was fostered to provide future gains in performance (Davies and Nutley, 2000) and enable NHS organisations to develop into 'learning organisations'. The concept of a learning organisation has been developing within the business literature since the early work of Argyris and Schon (1978) and March and Olsen (1975) as academics endeavour to identify the key characteristics of a successful learning organisation. The influential work of Senge (1990) has contributed greatly to discussions around the defining features of a learning organisation. The five features offered by Senge (1994) and adapted by Davies and Nutley (2000) specifically within an NHS setting, are summarised below. The original work of Senge commented that a true learning organisation would achieve all of these five qualities. This was later criticised by Snell (2002) who produced a set of features that correspond with Senge's work but are considered to be more realistic (Sheaff and Pilgrim, 2006).

These five defining features are:

1. Open systems of thinking allow people to understand how what they do is connected to the actions of other people. A reduction in division is necessary between internal departments of an organisation but also between the organisation and external services and patients.
2. Improving individual capabilities so that employees are equipped and skilled. However, within a health care setting where services are delivered by teams it may be detrimental to disconnect learning by different professions.
3. Team learning. With reference to the previous feature, team learning is vital in achieving team objectives.
4. The assumptions held by individuals about their work and that of their colleagues referred to as "mental models" may negatively influence and constrain the views of individuals regarding the operation of an organisation. The importance of team emphasises the importance of updating these mental models.

5. A clear and cohesive set of values typically promoted by effective leadership is necessary to guide the actions of individuals. A cohesive vision with secured commitment from individuals is essential.

The work of Snell (2002) aggregates learning organisation attributes from different sources of literature. Adapted by Sheaff and Pilgrim (2006), these empirical characteristics include evidence of an inclusive learning community, committed to self improvement with open dialogue to facilitate the sharing of experience and learning throughout the organisation. An organisation possessing the key features of a learning organisation will experience a cultural change to achieve a learning culture. The cultural processes associated with a learning culture are discussed by Mintzberg et al. (1998). These authors suggest that a learning organisation will typically: celebrate success; avert complacency; tolerate mistakes; possess a belief in human potential; recognise the value of tacit knowledge; be open to new ways of sharing knowledge; promote trust; and be outward looking.

A number of authors have attempted to define and summarise the characteristics of a learning organisation. It is, however, generally assumed that the creation of a true learning organisation requires some combination of all of the elements and dimensions discussed and not merely a selection of them (Sheaff and Pilgrim, 2006).

There is a lack of empirical evidence available to support the claims that an organisation in possession of the characteristics of a learning organisation will necessarily offer benefits. This has led some writers to claim that the concept of a learning organisation may be promoted as a solution to many organisational problems without the benefit of real evaluation as to the extent to which outcomes may actually be improved (Kuchinke, 1995).

### ***Determinants of performance in private business firms***

In the business literature, management has been identified as having a significant impact on firms' financial performance (Hansen and Wernerfelt, 1989). The components of management that have been reported to have an impact on company performance are:

- Leadership style – in particular, a 'charismatic' focus of leadership has been found to predict high organisational achievement (Finkelstein and Hambrick, 1996).
- Organisational culture – again, a focus on a results driven rather than a procedural culture and an external rather than an internal orientation are associated with better performance.
- Human Resource Management (HRM) – a 'soft' rather than a 'hard' style of HRM (Legge, 1995) is associated with better performance. A soft style focuses on the needs and aspirations of staff in contrast to a hard style, which treats individuals as instruments to be manipulated to serve the organisations ends.
- Strategy process – the distinction here is between rational as opposed to incremental planning with contradictory evidence offered as to the benefits of each. There is evidence that rational planning as a whole is beneficial to

performance in private firms but that in the public sector this is more open to question (Boyne, 2001).

- Strategy content – what an organisation actually ‘does’ in pursuit of its objectives. Here, ‘strategic stance’ is important and organisations can be characterised in terms of whether they are prospectors, defenders, analysers or reactors (Miles and Snow, 1978). Prospectors and defenders have been found to perform better than reactors (Conant et al., 1990; Shortell and Zajac, 1990). In operationalising these stances, organisations may take ‘actions’ or steps to change their market, their products or procedures (Porter, 1980). There is, however, very little work investigating strategy content and its influences on performance in the public sector.

Other potential determinants of firms’ performance, some not directly analogous to those in public services, were reviewed by Lenz (1981). Factors found to influence organisations’ performance included: market structure; the structure of the organisation itself (one that is consistent with environmental demands being the most useful for generating better performance, this fact including the adoption of computerised information systems); contextual factors; and corporate strategy (one that exploits market opportunities being a predictor of success). An interesting observation to emerge from this review was that firms operating even within the same industry may employ very diverse management strategies and that when managerial discretion is relatively unconstrained (for example, within industries that are not heavily regulated), strategy becomes a very important determinant of performance.

### ***Determinants of performance in the wider public sector***

There is a growing body of literature examining influences on ‘improvement’ in the public sector more generally. Boyne (2003), in a comprehensive review, identifies several criteria of service improvement (also often termed dimensions of performance): quantity and quality of outputs; efficiency; equity; outcomes; value for money; and consumer satisfaction. Against these, criteria, a number of determinants of performance were highlighted as particularly significant: the level of real resources (such as numbers of staff) as opposed to merely financial resources; a more centralised organisational structure; and (strongly) that management practices were significantly associated with better performance. One limitation of the evidence presented (across 65 studies) was that the literature drew heavily from the US and the education sector, which may make generalisation to other sectors difficult.

Boyne (2004) also examined the literature on specifically management processes that may be associated with enhanced performance in the public sector to answer the question ‘does management matter?’ The literature examining the determinants of performance and the degree to which management had an impact on this (an issue of obvious relevance to the rationale for performance measurement articulated in the social care setting (Cm 4169, 1998)) was found to be sparse in comparison to other themes in public administration and policy, at least in the UK. The factors cited as relevant largely follow those identified in work on private business firms and include: the structure of the organisation, its ‘culture’, strategy process and leadership. However, a research agenda is identified here for investigators to study

the determinants of performance variations in the public sector and identify how organisations can most effectively change in order to perform better.

### ***Influences on local authority performance***

Work that is particularly analogous to that to be examined in the present work comes from analysis of local government performance more generally. For example, analysis of the Comprehensive Performance Assessment (CPA) exercise undertaken for local authorities (Audit Commission, 2002) by Andrews et al. (2003, 2005) showed that 'external constraints', in terms of factors over which local authority managers have little control, had a significant impact on performance contained within the 'ability to improve' ratings for local authorities. In particular, the diversity of local needs, the level of discretionary resources available to the local authority (in terms of their Standard Spending Assessment), the prosperity of local residents and the size of the population all had significant influences on performance ratings. The CPA process, according to the Audit Commission (2002), acknowledges the fact that external local factors have the ability to influence performance and the CPA methodology aims to support the principle that authorities are not judged by the conditions they have no control over, but how they respond to those conditions. However, the work of Andrews et al. (2003) casts some doubt over this proposition. The authors did not, however, include local management factors (such as management behaviour and choices) in their model so leaving this element unexplained. The external factors considered within their model (quantity and diversity of service needs; level of discretionary resources; residents' prosperity; population size and density; and political disposition) together accounted for around 35 per cent of the variation in 'core service performance' ratings under the CPA, suggesting that other factors over which management have some control may also be important determinants of performance.

In contrast, Boyne and Enticott (2004) specifically investigated the internal characteristics of local authorities in relation to their national ratings under the CPA. Using variables identified by the Audit Commission to discriminate between the five CPA groups of excellent, good, fair, weak and poor, the internal characteristics of authorities were categorised under the themes: leadership, management arrangements, clarity of priorities, identified local need and partnership. Data reflecting each of these variables were derived from a previous survey of local government arrangements under Best Value (Enticott et al., 2002). Those authorities gaining poor, weak or fair CPA ratings collectively formed a clear grouping; the poor were not significantly different from the fair and the weak in any area of internal operation examined. Excellent and good authorities possessed similar qualities with clearly different characteristics to those authorities with lower CPA ratings in the areas of performance management and clarity of organisational priorities. Poor authorities were found to possess internal characteristics which made them indistinguishable from fair and weak authorities. However, poor authorities were not truly distinguishable from excellent councils and shared many internal qualities possessed by excellent and good authorities. The authors therefore argued that the organisational characteristics of local authorities are weak predictors of their performance rating under the CPA. The findings from this study cast doubt on the criteria used by the national regime developed for measuring local

authority performance more generally. The study is also useful for identifying variables to reflect the internal characteristics of these organisations.

Andrews et al. (2006) considered the role of management strategy (strategy content) on the performance of English local authorities and presented the first empirical test of strategy as a determinant of performance in the public sector. The concept of strategy used here is empirical; it relates to how organisations 'actually behave' rather than that used as a rhetorical device. These authors used the dimensions of strategic stance developed by Miles and Snow (1978), referred to in our discussion of the determinants of performance in private business firms, above. Miles and Snow's (1978) typology, as noted earlier, categorises organisations as displaying one or other of four main strategic stances:

- Prospectors – being innovative and leaders in their field, characterised by risk taking and being proactive.
- Defenders – being late adopters of innovations once they have been vigorously tried and tested. Their stance is relatively conservative focusing on a narrow range of services and protecting themselves from other organisations encroaching on their share of the market.
- Analysers – being located somewhat in between the extremes of the first two types. Their stance is characterised by a balance between minimising risk and pursuing innovation.
- Reactors – being organisations that seldom make any wholesale changes unless forced to do by environmental pressure. Their stance lacks coherence and tends to merely respond to others, such as regulators.

Andrews et al. (2006) recognised that previous research had been subject to weaknesses in that it had treated the strategy content categories as mutually exclusive when, in fact, within organisations such as local authorities, a mix of possible stances may be used. The authors thus used a series of Likert scales to evaluate organisations along various dimensions of strategy content developed from Miles and Snow's (1978) model. In addition, previous research had tended to survey the opinions of local authority chief executives only and these participants tended to provide evidence of strategy 'aspirations' rather than actual actions. Therefore, the authors used a multiple-informant survey of 119 local authorities with respondents at different levels of the organisation. They found a significantly positive relationship between the prospector stance and organisational performance suggesting that innovation is associated with measures of success in the public sector. Prospectors were found to perform better than both defenders and reactors. However, a substantial part of the variance in performance was accounted for by external constraints such as the quantity and diversity of service needs, echoing the research on local authorities mentioned above.

Work in local government in other countries has suggested that factors already considered as influential in private business firms are important determinants of performance. Carmeli (2006), for example, has shown the influence of managerial skills on performance (measured by both financial and perceived organisational performance) for municipal organisations in Israel. Other authors have again identified leadership as crucial to improving the performance of local organisations (Gold, 1982; Levine, 1991). Such factors may be important in the context of local

government in the UK, which is now expected to be more entrepreneurial and to adapt strategies from the business sector in delivering services.

#### **Question 4. Can anything be learned from other countries about the construction and use of measures to monitor local performance?**

In addition to the survey in Northern Ireland, exhibiting a system less reliant on national ratings and control, work in other countries also provides evidence from which to investigate the mechanics of local performance measurement. In this study, Japan has been chosen as a country employing more 'bottom up' approaches to performance measurement in the social, or long-term, care of older people. It is anticipated that comparing the system in England with that of Japan will add richness and a further context to the analysis of data from the national survey. Written material and also interviews with managers in Japan will permit these cross-county comparisons of how local data and systems are used and what the benefits and limitations of different approaches are.

One of the particular strengths of the project is that much of the material examining performance monitoring in this setting in Japan is not yet in the public domain. By publicising and disseminating this information and providing comparative data, it is hoped that the project will therefore contribute unique added-value to the study of local performance measurement.

Japan's social services and the monitoring of their effectiveness, are set within the context of the most rapid growth of the elderly population in the world. Japan has faced financial and social pressures leading to a major restructuring of its long-term care provision. Previous government developments were framed under the 1989 'Gold Plan', offering a ten-year strategy for long-term care services to older people. This provided grants and subsidies to local government enabling the expansion of community-based services (Ihara, 1997). This expansion, however, became expensive and the administrative structures established to guide the plan were cumbersome. As eligibility widened under the plan, there was an increased use of hospital beds as shortages of home care services and nursing home places meant that families were constrained in their options regarding suitable care for their elderly relatives. Financial incentives were also insufficiently adjusted to reflect the dependency of residents entering nursing homes; reimbursement was set at a flat rate with the consequence that Japan's nursing homes had the largest ratio of patients requiring minimal care in the world (Ikegami et al., 1997).

As a consequence of these difficulties, Japan reformed its long-term care system under the Long-term Care Insurance (LTCI) scheme in April 2000 (Campbell and Ikegami, 2003). This mandatory programme levies premiums on everyone aged over 40 years to provide eligible benefits to all those 65 and over. Eligibility is determined by an assessment of physical and mental disability only (the extent of informal care support is not considered) and a range of services, including geriatric units in hospitals, nursing and home care, are provided at six levels of need based on this assessment. Municipalities (cities, towns and villages) are the insurers and are responsible for setting premiums, overseeing the provision of services and managing the finances within a framework set by the Ministry of Health, Labour and Welfare. There is a 10 per cent co-payment by older users at the point of service

provision with the remaining cost covered half by premiums and half by taxation with deductions or waivers for those on low incomes (Ikegami, 1997). As LTCl is an entitlement programme, there is also considerable choice open to older people, not only among the agencies or facilities delivering care but also in terms of choosing their care manager, the professional who advises on services, draws up the care plan and manages the financial side of the scheme (Campbell and Ikegami, 2003).

There is debate in Japan regarding this system and the level of entitlements under it but the public have accepted the merits of the scheme; it is seen as appropriate and as offering choice to older people and their relatives (Campbell and Ikegami, 2003). However, as with any restructuring of service delivery, continued monitoring is necessary to assess whether the system is performing as planned. In contrast to England, Japan has not had a tradition of central government monitoring and performance measurement in the public sector has arrived relatively late. Before, and since the Government Policy Evaluation Act (GPEA), similar to the GPRA, of June 2001 (Ministry of Public Management, Home Affairs, Posts and Telecommunications, 2001), local government (municipalities) has taken the lead in developing measurement systems. Under the previous taxation-based system it was virtually impossible to compare local government units and few data were available at the national level by which to judge performance. However, since LTCl, local government has had data available to judge the conduct of the scheme against several objectives: the promotion of choice; the participation of a variety of care providers; the efficient delivery of services; and provision of welfare and medical services in a comprehensive and unified manner. The latter is designed to confirm that benefit requirements are fair nationwide, and separate long-term care from medical care, thus establishing conditions for avoiding 'social hospitalisation' in institutional settings (Ministry of Health, Labour and Welfare, 2002).

However, local government has experienced difficulties with the design and implementation of performance measures to measure progress on these objectives, and the role of researchers in development work has been viewed as more important in Japan than in other countries (Tanaka and Ono, 2002). In evaluating the impact of LTCl, academics have used routinely generated and specially collected data to assess whether the programme has achieved its objectives. Some, such as Ikegami et al. (2003), have examined the programme at the national level, investigating its success in terms of the diversion objective and the pursuit of quality in long-term care facilities. Using national data from the Kaigo Hoken Jyohou – a monthly information report – they found that (as choice of service provision rests with the user) the programme had impacted little on the aim of diverting older people from institutional care, with demand continually outstripping the supply of beds. There has also been little incentive for care providers to improve quality, although the indicators from resident specific data, such as the use of restraint in residential and hospital units, suggest that long-term care facilities are performing relatively well compared to other countries.

Others have worked with the municipalities in developing systems at the local level. Hirano and colleagues, for example, developed a software program that was the first tool enabling local government to collect and analyse data relating to LTCl (Community Care Policy Network, 2001). This program collects data from approximately 60 per cent of municipalities and monthly reports are provided for

consumption by local parliaments and citizens. Data on individual users are collected automatically to enable comparisons between areas and through time. The most important analyses focus upon: the balance between home and residential-based care, enabling the diversion objective to be monitored according to the characteristics of groups of authorities; the amount and costs of services against the benefit limit amount of each care level; and the content of care plans, examining the variability in services provided as a result of the assessment.

Work has also been undertaken tracing the effects of the programme at the client level using both official data and specially collected measures. Kondo (2003) used data from two municipalities tracking the circumstances of all disabled older people both pre- and post-LTCI (n = 400). These data were derived from the official database (covering eligibility and assessment data, death records, contents of care plans and cost of care provision), an interview survey and a postal survey of family carers covering perceived burden, depression and morale. So far, no significant impact of the programme on subjective well-being measures has been reported, although there is a suggestion that more intensive forms of care management may have an impact on those with more complex needs.

Because, unlike in the UK, data are collected routinely in standardised, electronic form at the local level, local government is able to monitor the effects of LTCI and to use information in planning and comparing activity between authorities. The LTCI scheme necessitates data being held at the individual client level (through the electronic transmission of bills from service providers to insurers), which permits aggregation of the data in a form suitable for analysing the effects of such factors as regional characteristics or client conditions upon the services older people receive. It has been argued that this has led to the 'informatisation' of the Japanese care system (Matsuda and Yamamoto, 2001), resulting in data becoming generally available with which to analyse performance locally.

Such a system in Japan offers scope for examining how local managers use performance data within a system that operates largely without central prescription over the use of measures and does not 'rate' local authorities in the same way as in the English performance regime. The project intends to collect unique information of this sort, through analysis of written material and interviews with managers responsible for monitoring in particular municipalities. This information may then be compared with that from the national survey in England and Northern Ireland permitting comparison across countries employing different arrangements.

## CHAPTER 5 CONCLUSIONS

This report has reviewed the literature on the links between national and local performance and specifically the evidence that does exist on how local approaches to performance measurement in social care have been configured. The evidence for the latter is minimal, although there is anecdotal evidence from managers in social care concerning the use of local measures and their links to the national regime that has been developed. The literature has brought to light several issues which are to be considered in developing the data collection and analysis phases of the research project under the ESRC's Public Services Programme:

- During this examination of the literature the lack of prior empirical research undertaken concerning local performance measurement and monitoring regimes, particularly in social care, has been identified. As a consequence of only limited previous research, the report can offer only a partial understanding of the variation in performance routines between local authorities. The study will therefore examine the different mechanisms of local performance systems and their configuration, with respondents to the national survey questioned on the use and types of local measures and routine performance practices employed. The principles of effective performance management outlined in the review will be used to inform the construction of the questionnaire, with responses allowing local performance routines to be identified and used to create a typology of local performance operations. This will allow the categorisation of local authorities by their performance monitoring practices.
- A description of variation is important in the first instance particularly since a new CSCI framework in England is to change the way performance in social care is reported as the research proceeds (CSCI, 2006c, d). The new pressures to develop performance management systems locally will be further driven by government proposals, which place an emphasis on the identification and monitoring of local issues, increasing the importance of local performance measures and bringing the issues to be surveyed to centre stage.
- The use of explicit principles for measuring performance and whether or not national measures are used primarily as a guide to local management in preference to locally-derived ones serves to generate hypotheses for the study. In short, the study will need to address such questions as: do those organisations operating clear principles, such as the ones reviewed, tend to perform better in national ratings? Do organisations with locally-tailored measures perform better than those who solely use nationally-derived measures? Or, as might be the case, are organisations using national measures rated as better performers since they have chosen measures which flatter rather than those that may reveal difficulties in their performance? These questions will direct attention to important variables to include in the national questionnaire survey.
- Increased accountability of local services' performance, as a rationale for the national performance regime in England, has generated unintentional

consequences. The consequences stated within the literature will need to be acknowledged in the design of the national questionnaire. Processes related to such problems associated with the national performance regime, such as gaming, may lead to cautious responses from managers when questioned about reporting performance data. Related dysfunctional behaviour may also influence how performance data are used by an authority and must be considered when measuring the variation in performance practices.

- It is important that the risk of social desirability bias, when collecting data, is limited. The pressures on managers from the national regime in England are immense and there is a real possibility that respondents may overemphasise aspects of their performance practices in responses to questions. The phrasing of questions in the survey will need to be carefully considered.
- Nationally derived performance ratings support the assumption that performance is directly influenced by internally managed processes and therefore performance may be improved by the alteration of particular aspects of operation. An internal organisational factor over which management have some control is “strategic stance”. Building on the work of Miles and Snow (1978), a selection of questions may be included in the survey to allow the categorisation of “stance” for each authority. The role of organisational culture in influencing performance may also be examined by the adaptation of Cameron and Freeman’s (1991) Competing Values Framework, allowing a classification of culture type in authorities. These two instruments, to measure strategy and culture, would seem at this early stage to be the most useful in terms of their ease of administration and also their relevance in tapping global dimensions of these concepts. Other issues to consider including in the national questionnaire involve the functions of partnership, the uses of technology, learning characteristics and organisational structure and design.
- Other factors, not all within management control, have been shown to influence performance ratings. However, there is some disagreement over the extent of these associations. Thus, there is a case for including factors that influence the characteristics of a local authority’s external environment. From the literature, a number of factors have been presented which should be included in any analyses of the links between national and local performance in order to control for these outside influences. The contested notion that the population size of an authority may influence performance will be examined by the study as will other factors concerning the characteristics of the population, such as demographic information (for example, ethnic diversity) and the extent of population need for services (for example, the numbers of older people). Deprivation levels have also been shown to influence performance as have the availability of resources; resources may need to include not only financial resources but also how non-financial resources, such as labour market supply, may influence performance. A related rationale would be to discern the relative strengths of these effects in relation to other variables characterising processes thought to lead to better performance. Some of these exogenous factors may be measured by data routinely

available, whilst others will require operationalising through items in the national survey.

- Our brief review of the system of performance measurement in Northern Ireland suggests that this system is predominantly locally based and there is no central government appraisal of performance in the same way as in England. This provides an opportunity to compare the regimes in the two countries through the survey and also management interviews. There may be a degree of variation between Health and Social Care Trusts in Northern Ireland regarding their use of measures and systems for monitoring performance and it would be useful for the survey to capture this degree of variation. In addition, the system is changing and will take time to become fully embedded. As a consequence, the administration of the survey in Northern Ireland may have to wait until after that in England has been administered and analysed.

### **Central government regulation and local governance**

The issues considered in this review would seem particularly salient to wider local government services, of which social care is a part. Some of the literature reviewed here potentially strikes at the heart of the validity of proposals by central government in the UK, and particularly England, to more closely monitor the work of local government. It also raises issues as to the tensions which have long existed between central and local relations in the delivery and monitoring of services, particularly local government services (Stamp, 1929; Banwell, 1959; Griffith, 1966; Rhodes, 1988). The changing backdrop between central and local relations has formed a context for the development of performance regimes in UK social care as it has in other public services (Webb and Wistow, 1986; Challis et al., 2006). The title of a recent report for the Council of European Municipalities and Regions by Bloomfield (2006), *Controlling, Cajoling or Co-operating* expresses the issues well. Policy approaches from central government towards local government performance may take at least three forms:

- Controlling, which since the veritable explosion in the requirements to publish performance indicators from the early 1990s (Audit Commission, 1992), has been the predominant approach applied to local government in the UK, particularly England.
- Cajoling, which has characterised central government approaches in the past when persuasion and guidance were used in requesting early performance information from authorities, for example in terms of planning returns as part of local authorities' ten-year plans (Cmnd 1973, 1963; Webb and Wistow, 1986).
- Co-operating, which is emerging within proposals for a system of voluntary self regulation in the UK (Office of the Deputy Prime Minister, 2005) and is set within the context of 'capacity building from within' in the way local authorities measure their performance.

Performance monitoring, allied to systems of control, is undergoing changes both in England and in Northern Ireland. Thus, the emergence of new performance regimes for social care is a distinct possibility as the research progresses. This will inevitably

raise issues of methodology and also has the potential to change administration of the questionnaire survey. Overall though, the issues considered by the research, reviewed in Chapter 1, still seem particularly pertinent to social care in this stage of its development. These are issues which can hopefully be addressed by our data collection on the project into 2007/08 and particularly when we draw conclusions from the research into 2009.

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