



# Take-off or Tail-off?

An evaluation of the Capability  
Reviews programme

November 2007

**Sunningdale Institute**  
Delivering Practical Wisdom

# Executive summary

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Change programmes take years to succeed but can fail in weeks.

In May 2007, the Civil Service Steering Board commissioned the Sunningdale Institute to evaluate the Capability Reviews programme, analyse what had been achieved so far and make suggestions as to how this Civil Service-wide change programme might develop.

We have conducted numerous interviews, observed Capability Reviews events such as stocktake meetings, read key documents, and been greatly assisted by feedback from an advisory group and from discussion with the Cabinet Secretary and permanent secretaries. This report sets out our key findings, conclusions and recommendations.

Few previous attempts to reform the Civil Service – and none where the leadership came from within the Civil Service rather than being politically driven – have had such a good start. It is a tribute to the vision and energy of those who led this programme that it has done so well so far – but this is just the beginning of a longer journey, and the gains made so far could slip away without thorough attention to the follow-through.

In summary, our 10 key findings and recommendations are:

1. Overall, the Capability Reviews model and process have proved fit for the purpose of launching a reform process, and a good start has been made.
2. What the model omits is significant. As well as providing limited analysis of delivery capabilities, it focuses on the individual department rather than on how departments work together on cross-cutting issues and capabilities. Ministers, whose decisions about priorities drive action, are not directly included.
3. We applaud the process of creating mixed review teams, which worked well on the whole, and equally we applaud the work of the Capability Reviews Team at the Cabinet Office, in framing and supporting the process. Scoring and publication provided essential grit, but this required a one-size-fits-all approach which has limitations.
4. Follow-through processes beyond the initial reviews have still to demonstrate that they are strong enough to drive home accountability for improvement.
5. These are early days for assessing the organisational impact of Capability Reviews, although all departments that have so far gone through the initial review process are actively delivering changes. Most departments engaged positively in the process. However, we see considerable variation in the extent to which the challenges from Capability Reviews have been taken to heart within departments.
6. Nonetheless, we should not underestimate the significant catalyst for change provided by the Capability Reviews programme. Capability issues are being discussed more widely and openly, partly because the Capability Reviews process has identified common capability gaps across departments.

7. The immediate challenge is to avoid the tail-off that is the fate of most initiatives. Our suggestions for doing this fall into two categories – follow-through on the ‘vertical’ dimension within departments and on the ‘horizontal’ dimension to build capability across the whole Civil Service.
8. The future path of Capability Reviews should be less about ‘one size fits all’ and more tailored to the situation of each department. The value of comparable and published scores at this stage should not be lost, so a way should be found to create the right mix of corporate, standardised and tailored approaches as the model develops.
9. Capability Reviews are not just an analytical exercise but are also potentially the beginning of a broad and deep change programme. Whilst some of that change can be supported from departments’ own resources, it is essential that there is more investment in the corporate resources needed to build capability horizontally across the whole Civil Service.
10. Keeping the momentum going will itself be a big achievement with substantial benefits. But we believe there is a much greater challenge to develop a culture of dynamic capability in the Civil Service that is characterised by continuous improvement and a constant search for innovation and quality.

Many things need to change before the Civil Service can deliver against this challenging agenda. Although a system characterised by dynamic capability would eventually result in less crisis management and immediate pressure for those who lead, experience gleaned from those who have been successful suggests that getting there increases current demands. There is a requirement for both ‘business as usual’ (keeping going) and an unrelenting demand to drive and manage change (for dynamic capability).

Finally, investment in corporate resources – and above all the time of the leadership cadre – is needed to enable a shift to a system characterised by the merits of dynamic capability. The journey is to commit to a more dynamically capable Civil Service; this will involve continuous removal of the roadblocks to change, the management of the high levels of uncertainty that result and a sophisticated leadership able to withstand the discomfort and unfamiliarity that will characterise the journey. Above all, the leadership will need to show high levels of flexibility and emotional intelligence and the willingness to listen and engage, encourage, praise and – of course – celebrate success.

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# 1. Introduction

1. In October 2005, Sir Gus O'Donnell, Cabinet Secretary and Head of the Home Civil Service, announced to the Public Administration Select Committee that he was launching a series of Capability Reviews for all central government departments, in order to improve the capability of the Civil Service to meet today's delivery objectives and to be ready for the challenges of tomorrow.
2. The reviews of departmental capability are intended both to assess how well-equipped departments are to meet these delivery challenges and also provide targeted support to make any improvements required. The reviews were designed to be specifically targeted at underlying capability issues that impact on effective delivery, such as:
  - Do departments have the right strategic and leadership capabilities?
  - Do they know how well they are performing, and do they have the tools to fix their problems when they underachieve?
  - Do their people have the right skills to meet both current and future challenges?
  - Do they engage effectively with their key stakeholders, partners and the public?
3. The review programme itself is run by the Capability Reviews Team, originally located in the Prime Minister's Delivery Unit and now, after the 2007 machinery of government changes, in the Civil Service Capability Group; both of these units are in the Cabinet Office.
4. Each review is carried out by a five-person review team which includes three experienced people from outside central government who bring external challenge and insight, as well as two directors general from other government departments who offer peer review and help to ensure that best practice within the Civil Service is shared. By the end of 2007, the Capability Reviews programme will have been going for over 18 months, and 17 central government departments will have been reviewed.

## A programme-wide evaluation

5. In April 2007, the Civil Service Steering Board (CSSB)<sup>1</sup> asked for an independent evaluation of the Capability Reviews programme to see if it is driving the improvements in capability across Whitehall that the Cabinet Secretary intended. The evaluation was also to inform thinking about the next stages of Civil Service reform. The National School of Government's Sunningdale Institute was commissioned to carry out this evaluation.

<sup>1</sup> [www.civilservice.gov.uk/reform/governance/steering\\_board/index.asp](http://www.civilservice.gov.uk/reform/governance/steering_board/index.asp)

6. The following terms of reference were agreed by the Sunningdale Institute evaluation team, the Cabinet Secretary, the wider group of permanent secretaries who lead government departments and the Capability Reviews Team:
  - Is the Capability Reviews programme stimulating and accelerating changes in departments and if so:
    - Are these changes building capability (as defined in the model) in departments?
    - Is the Capability Reviews programme improving the Civil Service's ability to tackle cross-cutting capability issues?
    - Are the changes in departments sustainable and self-sustaining?
    - Are departments proactively managing for improvement rather than compliance?
    - What next steps are required to embed capability reforms and build a culture of ongoing improvement?

### Steering the evaluation process

7. The CSSB commissioned the evaluation and has maintained an overview of the process. A presentation of the emerging findings was made to it in early July 2007, and it then asked for a further presentation for all permanent secretaries at their meeting at 'Autumn Sunningdale' in September 2007. This created the opportunity to check whether the work resonated with the top leaders across Whitehall.
8. The Cabinet Secretary appointed an advisory group to offer feedback and advice to the evaluation team at key points in the process, and to be available to him in responding to the report. Members of the advisory group are listed at Annex B. We have received valuable input from the advisory group at several stages in the project.

### The evaluation team

9. A small team drawn from the Sunningdale Institute was selected to undertake the evaluation, supported by the Capability Reviews Team in the Cabinet Office. The selection criteria were based on the desire to create a group with diverse knowledge, experience and approaches. The evaluation team is:
  - Patrick Barwise, Emeritus Professor of Management and Marketing at London Business School;
  - David MacLeod, independent consultant and visiting professor at Cass Business School;
  - Sue Richards, Professor of Public Management at the University of Birmingham, on secondment to the National School of Government;

- Howard Thomas, Professor of Strategy and Management and Dean of Warwick Business School; and
- David Tranfield, Professor of Management and Director of Research and Faculty Development at Cranfield School of Management.

Biographies of the team members and some information about the Sunningdale Institute are at Annex A.

10. We would like to thank Mark Smethurst at the Cabinet Office's Capability Reviews Team for his untiring work and steadiness under pressure throughout the project. We have also repeatedly benefited from the advice and support of Nancy Braithwaite and Peter Thomas, also at the Capability Reviews Team.

## Methodology

11. Our methodology is contained at Annex C. Briefly:

- We read a large number of documents from the tranches of Capability Reviews that had already occurred when our evaluation started.
- We interviewed around 100 participants in the process, including people at the centre of government and in departments, those who had been reviewers and those who had been reviewed. There were also a few other interviewees whom we met because of their knowledge of government.
- We undertook live observation of various aspects of various Capability Reviews, including the moderation committee for Tranche 4 departments, and stocktakes for departments already reviewed.
- We spent significant time in discussions within the team, reflecting on and challenging our emerging conclusions. The different disciplinary roots of the five members made this particularly valuable.
- We listened carefully to the feedback we received from our advisory group, the Capability Reviews Team and others, and sought to test and sometimes change our thinking in the light of this advice. The final conclusions remain our own.

## Defining the terms

12. The team's starting point was to understand the concept of capability and how it is employed in practice. Capability is an elusive and complicated concept. Therefore, it is important to define terms clearly. The theoretical literature defines capabilities as 'the organisation's capacity to deploy resources, usually in combination, using organisational processes to effect a desired end'.<sup>2</sup> In this context, capabilities would include leadership expertise, strategic expertise, innovation expertise, behavioural (people management) expertise, delivery expertise or customer service expertise.

<sup>2</sup> McGee J, Thomas H, Wilson D, *Strategy, Analysis and Practice*, McGraw-Hill, 2005.

13. Capabilities are clusters of skills, systems, routines, etc. ‘Unlike resources, however, capabilities are based on developing, sharing and exchanging information through the organisation’s human capital – as information-based assets they are often called invisible assets.’<sup>3</sup> Organisational success, whether in the public or private sector, therefore, depends on transforming key business processes into strategic capabilities that consistently provide superior value to the customer and are typically championed by the top management team.
14. In the case of Capability Reviews, certain key capabilities – grouped under the headings of leadership, strategy and delivery – were the focus of the programme, and departments were assessed according to how well they seemed to be exhibiting capability in these three areas.

### Structure of the report

15. In Chapter 2, we comment on the Capability Reviews model and the process. We also note what is not present in the model at this stage and what might, with benefit, be added to it. We note that the Capability Reviews programme is as much a corporate change programme as it is a review programme, and our thinking about how to go forward with the model is influenced by that conclusion.
16. In Chapter 3, we examine the programme’s impact to date. Whilst it is too early to be able to observe specific changes that could clearly be assigned to Capability Reviews, we do believe that the salience and urgency of change have been boosted.
17. History tells us that most corporate change initiatives tail off and Chapter 4 considers how to ensure that this does not happen with Capability Reviews. It focuses on mechanisms to drive home further change through the vertical dimension within departments and the horizontal dimension across departments and with the leadership of the Civil Service.
18. Chapter 5 responds to the aspect of our terms of reference that invites us to offer ideas about the next stage of reform. We present the idea of dynamic capability as a target for the future, where change is everyone’s business and responsibility for leading improvement is distributed throughout the system. This is where change and continuous improvement are facts of life. We recommend the early exploration of dynamic capabilities through a small number of beacon projects.

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<sup>3</sup>McGee J, Thomas H, Wilson D, *Strategy, Analysis and Practice*, McGraw-Hill, 2005.



## 2. The model and the process

*'The whole process has been really successful and we ought to say that and celebrate it.'* (A director general)

### The scope and contents of the model

19. The scope of the model is deliberately limited. It focuses primarily on top management team capabilities: board-level leadership, strategy, and the board's role in leading delivery. It is a one-size-fits-all model which now uses a standard list of 39 questions to assess the department's capabilities under 10 headings, categorised as leadership (4), strategy (3) and delivery (3). The model of capability and the questions are reproduced at Annex D.
20. This is neither a formal nor a conceptually tight model. Rather, we see it as a systematic framework within which to ask questions about capability. Inevitably, there is some overlap between the 10 headings and some ambiguity about the extent to which the model covers the capabilities of people beyond the top management team and beyond the core department (ie to include delivery partners). Although delivery is included, the model takes a largely top-down view and has little to say about the wider corporate culture, the behaviour of middle management and front-line staff, or dynamic/innovation capabilities.

*'[We] felt perfectly able to address the issues they found within the department without feeling constrained in any way by the model. Although [we] were under some pressure from the Capability Reviews Team to stick with it [we] did not feel compelled to avoid any issues which the model might not have naturally taken them to.'* (A review team member)

21. We note that ministers are only indirectly included in the model, despite their dominant role as the leaders who set priorities and whose leadership greatly affects the departments' capabilities. This is different from the local authority Comprehensive Performance Assessment, which includes politicians.
22. Finally, the model is designed to cover only one department at a time, despite the fact that many of today's challenges cut across departmental boundaries.

### Our evaluation of the model

23. Every model involves trade-offs and compromises. Overall, the model of capability has been well designed for its purpose, provided that purpose is seen as just the start of a transformation programme for the Civil Service. In particular:

- Establishing a strong top management team committed to change is one of the essential first steps of transformation – necessary but not sufficient. Therefore, the focus on top management capabilities is the right choice at this stage, provided that the limitations are recognised: the capabilities of middle management and the front line – vital for success – have not yet been significantly addressed in this programme.
- This type of exercise is likely to fail if it lacks focus. We agree with the model's emphasis on leadership, strategy, and the top management team's role in leading delivery. If the model had tried to do more, we think it would have achieved less.
- For the same reasons, we agree with the decision to start with a model that is limited to one department at a time, although cross-cutting capabilities will also need to be addressed.
- Similarly, the decision to exclude ministers was pragmatic.
- Although the model would have benefited from somewhat greater conceptual clarity, the review teams (supported by the Capability Reviews Team) interpreted the model in a flexible manner to address what they saw as the important issues in each department, whilst still producing assessment scores under the 10 standardised headings.

**24.** In conclusion, the model worked effectively, within its planned scope. This was due to both its design and the way it was used.

### The Capability Reviews process

- 25.** The significant aspects of the process are the size, composition, quality and commitment of the review teams, the support they received from the Capability Reviews Team, the evidence they collected, the way they operated as a team and developed their conclusions and 'traffic light' scores, the review team members' interaction with the permanent secretary and the board, the moderation process, the published report, and the follow-up assurance process. An underlying issue is whether, in practice, this is an audit process (with the Cabinet Secretary as the client) or a process of peer challenge and consultation (with the permanent secretary as the client).
- 26.** The review teams comprise five senior people, including two directors general from other government departments and three external members from the private, public and voluntary sectors. There is no pre-appointed chair. This size and composition are well designed. The quality and commitment of review team members have also been generally high. In particular, we applaud the decision to use a recruitment consultant to find the external reviewers. Some reviewers, both internal and external, were less engaged than others, and some were perceived by the reviewed departments as being of insufficient calibre; overall, however, the review teams have been a strong feature of the Capability Reviews programme.

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*‘A defining mark of the programme was the bringing in of people from outside who could express issues in a down to earth way...most permanent secretaries have been prepared to learn from such people.’*  
(A Capability Reviews Team member)

27. Similarly, the support from the Capability Reviews Team has, with few exceptions, been seen as excellent by the review team members and by most of those we interviewed within the departments. The support teams were seen as owning the process, keeping the review team members focused on completion, and taking the lead in drafting the report.

*‘Generally speaking, support from the centre was thought to be excellent during the review process...’* (A departmental board member)

28. Opinions differ as to whether the review team members have looked at enough evidence to support their conclusions. Departments often feel that they have not, and that they often generalise too much from anecdotal comments and observations. The Capability Reviews Team, however, argued that the earlier reviews had spent much longer than the later ones collecting evidence and that there was no perceptible difference in the validity of their conclusions. Review teams bring judgement and experience as well as evidence to their assessments. Our view is that the reviews are already resource intensive, although relatively short and sharp, and expanding them to collect and analyse more data would not be justified by the incremental benefit.
29. Review team members found the process extremely intensive and an emotional roller-coaster, although most – but not all – of the teams gelled well. The weakest aspects for them were what they saw as insufficient prior induction and insufficient time together for challenge and debate. Some were frustrated by the ambiguities of the model and the difficulty of agreeing scores with a limited evidence base. Nevertheless, most enjoyed the process and felt that their final assessment was accurate and fair.
30. The moderation process is the most controversial aspect of the programme. Indeed, we think it acts as a lightning rod, attracting the antipathy that always accompanies evaluation. Our own observation of the moderation committee for Tranche 4 suggests that it did its job well: panel members actively prepared for the meeting, thoroughly engaged, intervened in the scoring to moderate for the fact that the work in different departments was conducted by different teams, and then used their own judgement, in addition to the evidence put before them, to shape the final judgement. There is wide agreement that, with published scores, there needs to be some kind of calibration, but there is widespread criticism of the way this has been implemented. We were told by many respondents that the moderation should be more objective and evidence-based, with external moderators. Although moderation is bound to be controversial, we feel it should be possible to make it more acceptable.

31. The review team members' interaction with the permanent secretary and the board are crucial in ensuring that the review's conclusions are both valid and – especially – accepted by the top management team. In most cases, review team members had repeated and frank meetings with the permanent secretary, especially about difficult issues such as weak board members. These meetings reinforced permanent secretaries' engagement in the reviews and their determination to follow through.
32. Interactions with departmental boards were sometimes limited to a single two-hour presentation. This was an intense, emotional occasion for both parties. The feedback presented was open and hard-hitting. It is important that enough time and interaction go into this to achieve the required level of ownership of the conclusions, and more time should have been devoted to achieving this. Where boards have fully or largely accepted the review's conclusions, it is the permanent secretary (not the interaction with the review team) who has driven this.

*'...an intensive process for board members.'* (A review team member)

33. The published reports are somewhat formulaic and anodyne, but the fact that they are published and have 'traffic light' scores is essential in ensuring the Capability Reviews' impact, discussed below. We recognise that this public disclosure of capability represents a step change for government departments and we applaud the Cabinet Secretary and permanent secretaries for leading this approach. Naturally, the published scores lead to people drawing up league tables, even though the validity of such rankings is debatable because departments vary in scale, mission, complexity and context. The negative aspects of publication are, however, easily outweighed by the benefits.
34. The existing plan for follow-through in departments rests on an assurance process which assesses departments against their action plans at 3, 6, 12 and 24-month milestone points. We have limited evidence about the assurance process. Our evidence does suggest, however, that the high-octane process that accompanies the initial review fades significantly as the follow-through stage is reached. Left at that, there would be a significant danger that, after the initial drama, the impetus would tail off. We comment further on this in Chapter 4.
35. The ambiguity of whether Capability Reviews are about audit or support has not been a serious problem in practice. In most cases, the review teams have successfully managed to meet the needs of both 'clients' – the Cabinet Secretary and the permanent secretary. In a few cases the review has been primarily treated as a – somewhat limited – audit.

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- 36.** In conclusion, this is a well-designed model, with a generally well-designed and well-executed process. Deliberately limited in scope, and with a number of ambiguities of both content and purpose, it has worked well in practice and has met its initial aim of kick-starting a potentially widespread change within the Civil Service. There have, however, been some weaknesses in the process, the main ones being moderation and the limited interaction with departmental boards.
- 37.** We have previously noted that the model focuses on the top management team, and this was the right place to start. One thing which has become clear from many people we have spoken to is the disconnect between capability in delivery – as assessed by the model – and delivery performance measured by the extent to which departments deliver their Public Service Agreements (PSAs). Departments can have poor review scores but be meeting their PSAs, and this can happen because the two different measures of capability and performance do not match. A solution is to devise a balanced scorecard of performance against which capability metrics can be matched.



## 3. The impact to date

*'It got them out of their comfort zone and to some extent "created a rude awakening".'* (A review team member)

**38.** The first round of Capability Reviews is still under way at the time of writing (Tranche 5, HM Treasury and HM Revenue and Customs, is in progress), and assessing the programme's impact to date is only part of this evaluation. But the first 6–12 months of any change programme are crucial. If momentum is lost at this stage, the programme is unlikely to succeed.<sup>4</sup> In this chapter we therefore discuss the emerging evidence on the impact to date, focusing especially on Tranche 1 (reviews published in July 2006) and Tranche 2 (reviews published in December 2006).

### Buy-in varies significantly between departments

**39.** With somewhat varying levels of enthusiasm, all departments have engaged in the Capability Reviews process. That is, none has overtly rejected it and, in most cases, the permanent secretary has found the time for several discussions with review team members, as well as providing data and support and encouraging contact with other members of the department, delivery partners, etc.

**40.** At a deeper level, however, the degree of buy-in varies significantly between departments, depending largely on the extent to which the top management team, and especially the permanent secretary, values the process. At one extreme, the department's leadership might fully engage with the Capability Review, accept its conclusions, embed these into its own change programme, and actively use the review and subsequent stocktakes to help keep the department focused on change. At the other extreme, the department's leadership might fully reject it. Responses can be loosely categorised under five broad headings:

- Fully engage.
- Selective buy-in: The department's leadership takes what it sees as valid, useful and incremental to the department's existing change programme and goes through the motions with the rest.
- Variable buy-in: Some members of the top management team buy into the process, others reject it.
- Reject internally: The department's leadership rejects the process, but goes through the motions.
- Fully reject.

**41.** Our assessment is that, of the fifteen departments reviewed to date, only one or two have fully bought into the process, most have bought into it selectively

<sup>4</sup> Kotter JP, 'Leading Change: Why Transformation Efforts Fail', *Harvard Business Review*, 1995 (reprinted January 2007).

and/or variably, two or three are going through the motions, and none has fully rejected it. A few started out quite sceptical but have become more positive over time. This reflects a snapshot of where permanent secretaries were during the evaluation; we would expect them to move through the categories if the assurance and stocktake process is doing its job.

42. All change programmes elicit variable responses, often more negative than this. Moreover, those departments that have been most dismissive of Capability Reviews have had to use the argument that the change programmes they already had in place will provide the improvements in capability and – in due course – performance which Capability Reviews are intended to achieve against an appropriately designed balanced scorecard. They will now have to deliver on that promise. In other words, even for the most negative departments, the reviews should have an important impact through this indirect process.
43. An important question for future programmes is what accounts for the variation in buy-in. In principle, we might expect more engagement if:
  - the permanent secretary is new;
  - the department does not have an existing integrated change programme;
  - the top management team is competent and is confident that the department will be seen as highly capable;
  - ministers, especially the secretary of state, are interested and supportive; and
  - the programme is not derailed by unforeseen events or crises (including political and machinery of government changes, discussed later in this chapter).
44. Although we see some evidence of all of these, the overwhelming factor in practice appears to be the leadership style of the permanent secretary. A closely related factor is their view of the quality of the process and the calibre of the review team.

*‘Making the process public and the scores open inevitably results in a competitive environment between permanent secretaries.’ (A former Senior Civil Servant)*

### The main impact: salience and urgency

45. The main, extremely important, impact of the Capability Reviews programme so far has been to put capability improvement even more firmly on the agenda and to give it a greater sense of urgency, especially at board level. Key features of the model and process discussed in Chapter 2 have made this happen:

- the commitment of the Cabinet Secretary and, collectively, the permanent secretaries;
- the fact that the reviews have generally pulled few punches;
- the credibility of the reviewers and the Capability Reviews Team; and
- above all, the fact that the assessments are scored and published.

*‘Gus O’Donnell [is] central to the whole programme. He made a personal pledge. [He] expends significant amounts of personal time on the programme and embeds review issues in discussions with permanent secretaries.’* (A Capability Reviews Team member)

- 46.** Despite the variation in buy-in, we were repeatedly told that the programme has given departments a jolt and forced the issue of improvement up the agenda.

*‘[The Capability Review] provided a massive sense of momentum, reinforced by the fact that the results are published. Even though the conclusions were not surprising to anyone with experience of major change programmes, restating them helped by giving them external legitimacy. The review also helped by providing some of the vocabulary for change.’* (A departmental change director)

*‘Capability Reviews ...were seen to create a momentum, a pace and an urgency for change.’* (A review team member)

- 47.** In one department, even though it had just launched an ambitious change programme, the permanent secretary welcomed the Capability Review as providing an additional ‘burning platform’ to legitimise change and help communicate a sense of urgency within the department.
- 48.** Our other data support this view. Importantly, not one interviewee suggested that the Capability Reviews had had little or no impact on the salience or urgency of their department’s change programme, although one or two came close. As already noted, however, even in these cases, we would argue that the reviews should have a significant impact by forcing the department to prove that its own programme would deliver the required improvements.
- 49.** The extent to which any subsequent improvement can actually be attributed to the Capability Review will be impossible to pin down with any precision (since we will never know in sufficient detail the counterfactual, ie what would have happened without it) but is also largely irrelevant. What matters is the improvement.



50. One sign of the seriousness with which change is being taken is the increasing scale and pace of departments' renewal programmes and the use in at least some departments of explicit programme management mechanisms. These include two-tier governance, with a supervisory board chaired by the permanent secretary, an implementation board chaired by a full-time change director reporting directly to the permanent secretary, and individual board members taking responsibility for overseeing or supporting specific workstreams.

### Encouraging openness and providing a common language

51. The programme is also encouraging greater openness and is starting to provide a common language for discussing change and sharing experience.

*'...the process [was] positive for the Civil Service overall insofar as it brought together colleagues from a variety of departments on a common set of issues using the common approach. It was helpful in promoting the view that we were all in "a collaborative venture in government".'* (A review team member)

52. As already noted in Chapter 2, Capability Reviews are a combination of evaluation (with the Cabinet Secretary as the client) and support (with the permanent secretary as the client). Although there is an inherent tension between these, in most cases – all except those where the permanent secretary was largely disengaged from the review – the combination has worked. In these cases, much of the benefit came from repeated, frank discussions between the permanent secretary and members of the review team, especially about difficult issues such as reviewers' assessments of individual board members.
53. The need to increase openness is emphasised by survey data that suggest that civil servants at all levels (Senior Civil Service, middle management and front-line staff) are unwilling to talk openly about problems, risks or disagreements, especially in some departments and agencies.

### Substantive issues

54. Not surprisingly, virtually all the issues identified in the Capability Reviews were already known to the departments – often, it was the department that first told the review team about the issue. If this were not the case, it would be a serious indictment of the department. However, as well as increasing the overall salience and urgency of the need for change, encouraging more openness at board level, and providing some common language and frameworks, the Capability Reviews are also starting to impact on a number of substantive issues within departments, especially those in the first two tranches. The Capability Reviews process has helped create an imperative for action to tackle genuinely difficult problems.

*‘The review process raised agenda items that were probably already known about, but the effect of the review was to ensure that “the card is now marked”.’ (A review team member)*

*‘The Capability Reviews have held up a mirror to the departments and shown a picture that the departments recognise.’ (A Senior Civil Servant)*

**55.** Most departments, partly in response to their Capability Reviews, are attempting to improve across the following areas that represent the common capability gaps, shared amongst most or all departments:

- board membership, teamwork and visibility;
- a clearer, more coherent, inspiring and communicable strategy;
- improved prioritisation and resource allocation based on clarifying the links between strategic objectives and specific projects, programmes, roles and outcomes;
- better engagement with delivery partners, customers and other external stakeholders; and
- clearer, more challenging people and performance management, including the idea that this is primarily a line management responsibility rather than a specialist HR issue.

In addition, some individual departments are addressing specific issues.

*‘The Capability Review gave a reason to get the top team together...it was reported that it had created a focus and encouraged the directors general to work as a team and engage on the issues raised by the review.’ (A departmental change director)*

**56.** Our evidence suggests that all departments have made some progress. Concrete examples from different departments include:

- adoption of tight, standardised business processes, largely in response to comments from a reviewer from a large private sector service business;
- major revision of a reward system widely seen as unfair;
- introduction of 360-degree feedback;
- more resources allocated to relationships with delivery partners, and clarifying their, and the core department’s, respective roles;
- clearer strategy and priorities; and
- considerable turnover amongst directors of HR, finance and other functions; chief operating officers/change directors; and others at board level.

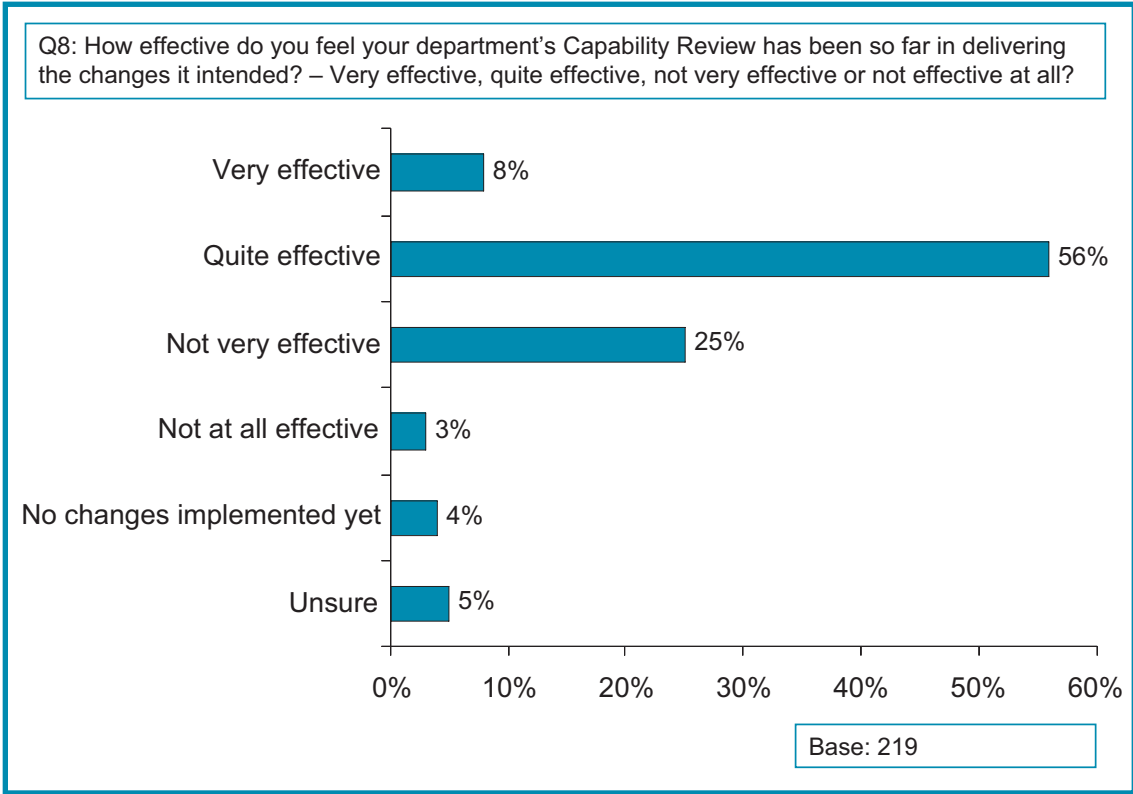
*‘The performance management system [was] very unpopular and [has] now [been] changed to great applause.’ (A Senior Civil Servant)*

### The views of Senior Civil Servants

- 57. As input into this project, the Capability Reviews Team commissioned Opinion Leader Research to explore the views of Senior Civil Servants via a telephone survey in July 2007. The following results are from a sample of 219 directors and deputy directors (the ‘marzipan layer’ immediately below the top 200) of departments reviewed in Tranches 1–3.
- 58. This group is both crucial to driving change and generally strongly committed to it. Some 83 per cent of respondents<sup>5</sup> saw Civil Service reform as ‘very’ (45 per cent) or ‘extremely’ (38 per cent) important and 78 per cent were ‘very’ (43 per cent) or ‘extremely’ (35 per cent) committed to making change happen within their own departments.

Figure 1: Perceived effectiveness

The majority of respondents believe that their department has effectively delivered Capability Review-related changes so far.



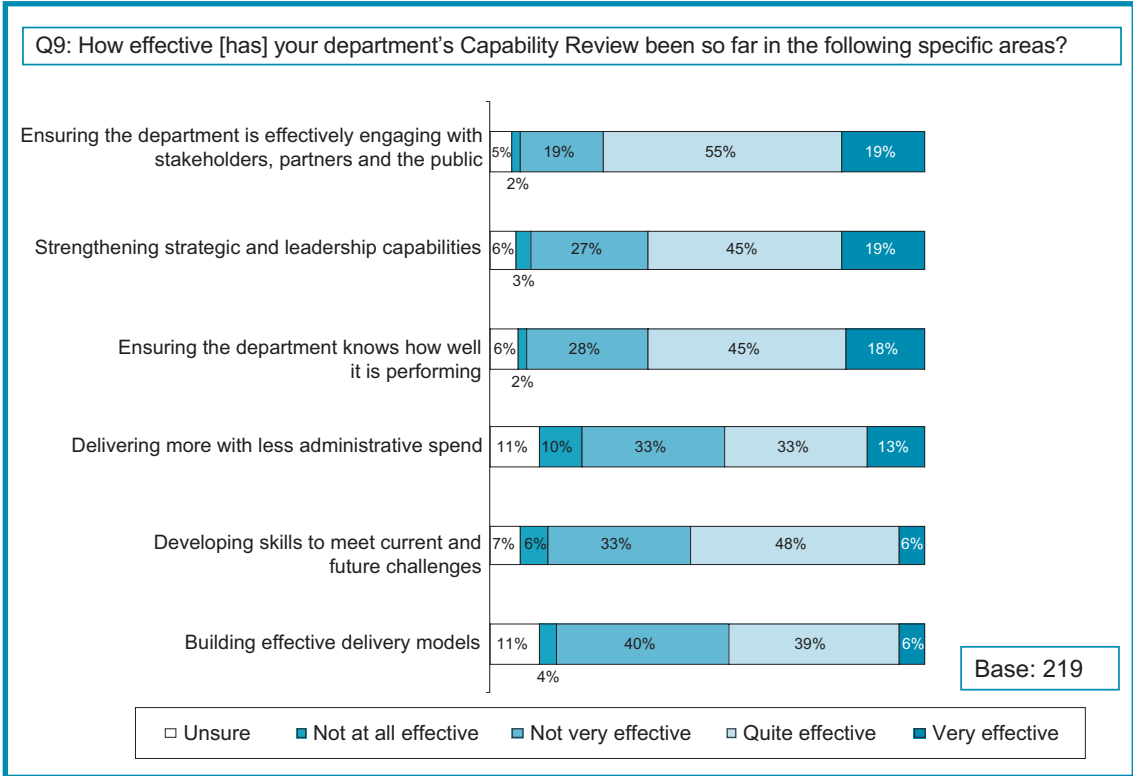
Source: Opinion Leader Research, *Report to the Cabinet Office on Capability Reviews: Research with Senior Civil Servants*, 2007.

<sup>5</sup> N=338, including an additional 119 respondents from departments in Tranches 4 and 5.

- 59. Almost two-thirds (64 per cent) felt that their Capability Review had been 'very' or 'quite' effective. The fact that most (56 per cent) responded 'quite effective' suggests a 'wait and see' attitude. Whilst most Senior Civil Servants have seen several previous attempts at reform achieve limited impact, they have leadership roles within their departments and should be driving the changes now, not waiting.
- 60. According to these respondents, the results shown in Figure 2 demonstrate considerable perceived impact on external engagement, internal strategy and leadership capability, and metrics, and less impact on delivery models, skills and efficiency (arguably, an omission from the Capability Review model).

**Figure 2: Effectiveness in specific areas**

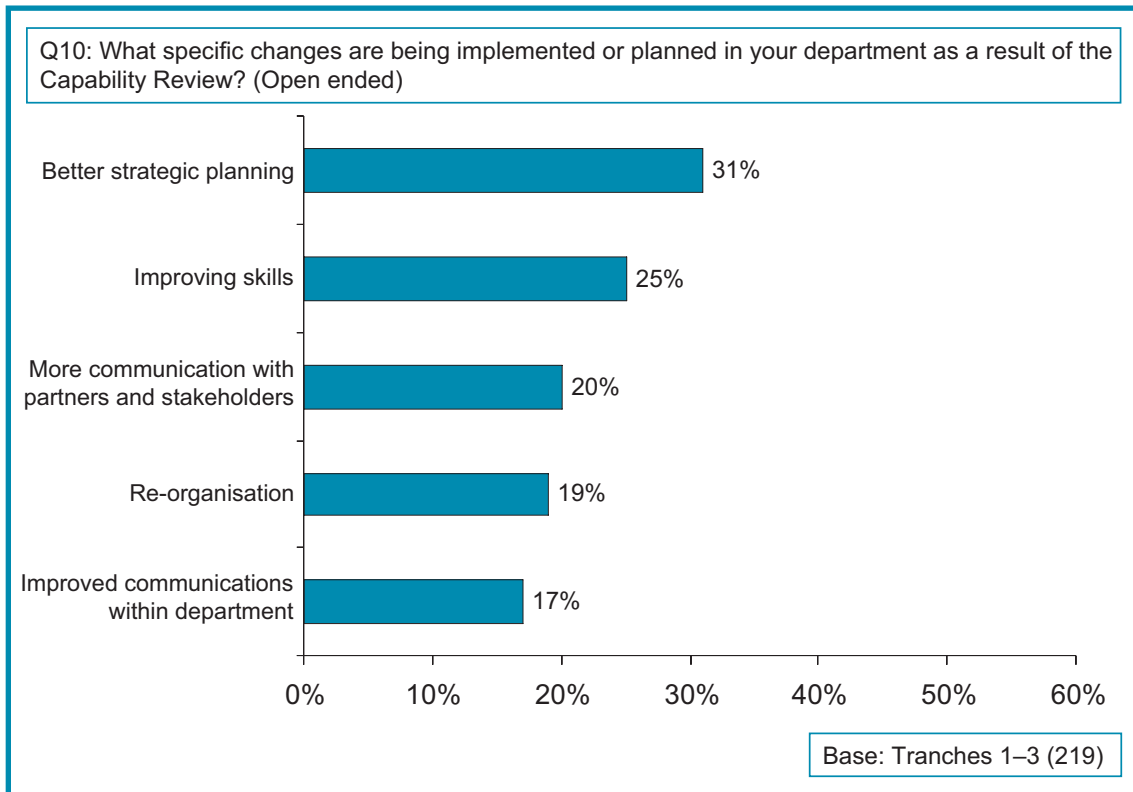
*Capability Reviews have been effective in these six specific areas.*



Source: Opinion Leader Research, *Report to the Cabinet Office on Capability Reviews: Research with Senior Civil Servants*, 2007.

### Figure 3: Planned or implemented changes resulting from Capability Reviews

There are five common changes which respondents say their departments are implementing or planning in response to Capability Reviews.



Source: Opinion Leader Research, *Report to the Cabinet Office on Capability Reviews: Research with Senior Civil Servants*, 2007.

61. Typical comments were:

*‘[We have] already published a refresh of our five-year strategy.’*

*‘[We plan to introduce] more clarity in business planning [including] disseminating the results to everybody. [Then there will be] a clear link between everybody’s jobs and the priorities of the department.’*

*‘[We] plan to have six-monthly meetings with delivery partners.’*

*‘[We plan to] restructure [with a] greater emphasis on learning and development [and] better matching of skills with people.’*

*‘[We plan to] focus [more] on leadership skills.’*

*'[We are planning a] pay and grading review. [A] workforce development strategy. More visible top management. More effective project governance.'*

*'[We want to introduce] greater emphasis on leadership skills, more clarity of objectives, better communications and alignment of objectives.'*

62. Taken in combination with the earlier results, these data confirm that Capability Reviews are starting to have a significant substantive impact.

### Some provisos

63. Although we have been impressed and encouraged by the progress to date, we need to make three provisos.

- First, most of the changes to date are still of a preparatory nature. They amount to putting in place a number of **enablers**, which, if exploited, will lead to improved capability and performance. At this early stage, there has inevitably been little impact on delivery, but also little, if any, celebration of early successes. This may partly reflect Civil Service culture and partly the fact that some of the necessary changes, such as some personnel changes, are unsuitable for public celebration. We recommend that departments look for some more 'quick wins' and, where appropriate, celebrate them.
- Second, in order to achieve a step change in the performance of the Civil Service – let alone public services in general – not only must departments deliver against their agreed responses to their Capability Reviews, but also they, and the wider Civil Service, will need to broaden the change agenda significantly. At this point, what we have is a good start within most departments. Turning this into a real transformation will require strong follow-up with an agenda that steadily becomes both deeper and broader, as discussed in Chapters 4 and 5.
- Third, there is a chance that the recent political changes and machinery of government changes limit the impact of the programme. Many departments have been directly affected by the machinery of government changes, ie their missions have been somewhat redefined and they have gained and/or lost responsibilities and units. In practice, the changes, for example to the Home Office, the Department for Education and Skills/the Department for Children, Schools and Families, the Department of Trade and Industry/the Department for Business, Enterprise and Regulatory Reform and the Cabinet Office, whilst significant, have proved small enough to allow their review implementation plans to be adapted and followed through. Also, every department except the Ministry of Defence has a new secretary of state and all have other changes to their ministerial teams. These changes not only create extra work for the top management

team, but have also led to some management changes in political priorities and operating style.

**64.** However, as always, some of these challenges also represent opportunities:

- If a department has a new name, mission and responsibilities, the leadership can use these as a stimulus to encourage a bolder change agenda.

*‘The split in the department will, if they’re clever, create wonderful opportunities to be more radical.’ (A review team member)*

- One unplanned benefit of the changes is that several of the ministers appointed to departments that were new to them have used the Capability Reviews and related papers as briefing documents. Every minister is doubtless committed to improving public service delivery within their area of responsibility; wants a department with strong capabilities, not only to improve delivery but also to reduce the risk of – and maximise the ability to handle – future crises; and knows that the Capability Reviews process is likely to be repeated in some form during their tenure. We discuss the involvement of ministers in Capability Reviews further in Chapter 4.

**65.** To conclude this chapter, we believe that few previous attempts to reform the Civil Service – and none where the leadership came from within the Civil Service rather than being politically driven – have had such a good start. It is a tribute to the vision and energy of those who led this programme that it has done so well so far – but this is just the beginning of a longer journey, and the gains made so far could slip away without thorough attention to the follow-through, as we discuss in Chapter 4.



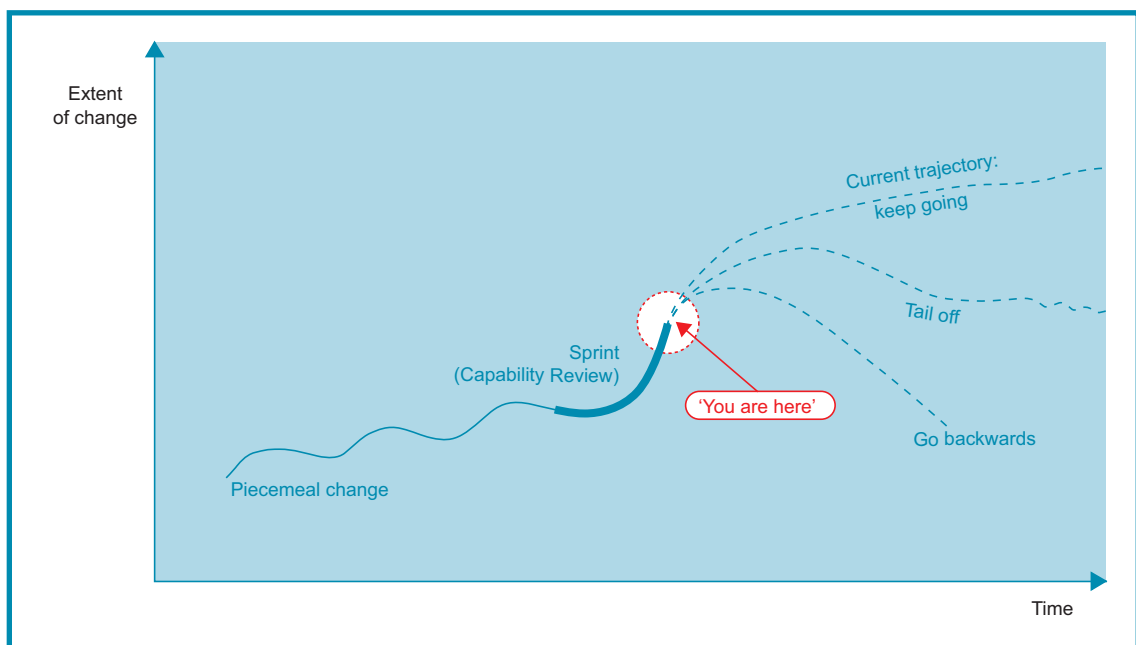
## 4. Sustaining the momentum

*'The main challenge of a Capability Review is that it should never become something that is seen as finished.'* (A permanent secretary)

66. The Capability Reviews programme to date has made a good start.

### Figure 4: Change trajectories

*There are some significant actions to take to maintain the current trajectory and to avoid 'tail-off'.*



67. Successful change programmes take years to succeed, but can fail very quickly. The Capability Reviews programme has made a significant impact and created a real momentum around change, such that we see little risk of the Civil Service 'going backwards'. But it is now at a critical point where this must be sustained both corporately and in departments to avoid the risk of 'tail-off'. This chapter concerns what additional practical steps are required to make this happen and to deliver real and sustainable change and improvement along the 'keep going' trajectory. It is split into two parts:

1. How do we ensure follow-through in the 'vertical' dimension within departments?
2. What should be done within the 'horizontal' dimension on cross-cutting issues and common capability gaps?



## 1. 'Vertical' follow-through within departments

68. The Capability Reviews have targeted individual departments. As the department continues to be the main organisational unit in central government, accountable to Parliament through ministers, it is right to continue to focus on change and improvement at this level. This chapter makes some specific recommendations for adding further energy to this process.

### Increasing the pace

69. The assurance process, with its regular stocktakes, is essential to ensure that the Capability Reviews programme has the purchase on change which will be needed to stop it tailing off. However, we believe that more differentiation and intervention as part of this process are required to keep up momentum.
70. We recommend that, 12 months after each review, the Cabinet Secretary should differentiate between departments according to their capability and the improvements they have made to that point along the following lines:
- **Top-performing departments** should be free to operate with only the lightest touch from the corporate centre. As the Civil Service's leading examples of good practice, they would be expected to offer other departments access to their knowledge and skills and be prepared to see their best staff moving on a temporary or permanent basis to departments with greater development needs.
  - Tailored support should be available for those **departments on a path to improvement**, but which need additional support to climb the curve fast enough.
  - Those **departments which are of continuing concern** need to be subject to strong corporate oversight. They should be required to report back through a continuing and more rigorous assurance process. They would have access to corporate support and development resources, but would also be subject to any more rigorous interventions which might be needed to change the trajectory or speed of improvement.

### Moving away from a one-size-fits-all model

71. There is a tension between the benefits of transparency, comparability and the corporate dynamic for change which comes from the current one-size-fits-all approach, and the need to ensure that departments can continue the change journey in ways that fit their situation. We therefore propose that all departments should be re-assessed and re-scored somewhere between 18 and 24 months against the existing model of capability because this will keep the corporate and departmental change programmes going. We believe that the model is in practice a flexible strategic framework rather than a rigid straitjacket, and thus allows some variation in response to the different circumstances of different departments.

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72. This flexibility will allow the model to be harnessed to ensure that there is one rather than two parallel change programmes within departments. Some departments have argued that their existing change programme removes the need for a Capability Review, but we see no conflict in using this model to assess their capability, whatever the stage of their change programme. Original review team members should be used where possible in the next round.
73. More work needs to be done to work out how to get both comparability and tailoring into the re-score. We are attracted by the idea of grouping departments into families with similar business models, as suggested in the overarching report which accompanied the publication of the Tranche 3 reviews.<sup>6</sup>

*‘A Capability Review could only be done once in that form. Thereafter, it needs targeting in very specific ways according to need.’*  
(A review team member)

#### **Accountability for improving capability**

74. Inevitably, with increased visibility and transparency goes increased personal accountability for the organisation’s capability to perform. We recommend that staff in high-performing departments should act as a corporate resource to work in departments that are struggling to improve. The converse of this is that there should be consequences for permanent secretaries and other senior staff whose departments are not making the required progress and who are not convincingly engaged, working with the centre, to rectify this. In this situation, the baton should pass to someone likely to achieve more.

#### **Architecture for change**

75. Finally, we believe that there needs to be a strengthening of the resources in place for holding departments to account for building their capability to perform. With 17 departments, the existing assurance and accountability processes make increasingly difficult demands on the Cabinet Secretary’s time. The answer to this lies in providing the right level and kind of resources under his leadership to make accountability a reality.
76. Permanent secretaries collectively have a strong interest in improving Civil Service capability as a whole. We recommend therefore that the Cabinet Secretary augments his personal role in holding permanent secretaries to account for their department’s capability by empowering a group of permanent secretaries who would devote significant time to this corporate role. Any new process must have real credibility and authority.

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<sup>6</sup>[www.civilservice.gov.uk/about/accountability/capability/index.asp](http://www.civilservice.gov.uk/about/accountability/capability/index.asp)

77. There are a number of alternative ways of constituting such a group:

- A pre-existing sub-group such as the Civil Service Steering Board. Taking on this role would require some evolution of its current operating model.
- A new group consisting of those permanent secretaries whose departments have scored well in their Capability Reviews. Each member might lead on a cluster of departments, with clusters formed around agreed criteria.

There also needs to be a single permanent secretary for Civil Service capability who would provide full-time leadership.

78. Another option would be the Public Administration Select Committee's suggestion of an external body to review and extend the public accountability of the Civil Service. Since we regard Capability Reviews as constituting a change programme rather than just a review programme, we do not recommend this option at this stage. Our expectation is that, with vigorous follow-through along the lines described in this chapter, the momentum created by the Capability Reviews will be sustained by the Civil Service itself without the need for external intervention. Only if progress 'tails off' would we recommend the setting up of an external body to drive and monitor change.

## 2. 'Horizontal' follow-through across departments

*'The programme is essentially siloed in departments.'*

(A review team member)

79. Whilst the department is the main organisational unit in Whitehall, customers, delivery bodies and stakeholders do not make this distinction, and delivering successful strategic outcomes is complex because of it. Civil Service reform and change must therefore extend beyond the boundaries of the department to focus on delivering improvements in corporate capability and using corporate resources to enable this. We note that the Cabinet Office is, as a part of its Capability Review, beginning to make some of the changes we propose below.

### Cross-cutting issues

80. Many of the key strategic challenges facing government at present exist outside the jurisdiction of single departments. We believe the same energy and commitment that has been devoted to assessing capability within departments needs to be devoted to the horizontal structures and processes needed to meet these challenges.

*‘Departmental capability is important, but just as important are cross-Whitehall themes pulling through to service outcomes. The programme needs to capture this, or alternatively a further programme [needs to be] developed.’ (A permanent secretary)*

- 81.** One set of challenges relates to the opportunities offered through new technology to offer a more joined-up service to the public. The ‘transformational government’ agenda as set out in Sir David Varney’s report is one example. The major task of implementation should be accompanied by a strand of work which assesses relevant capability across the system and requires any necessary improvements from those involved.
- 82.** Equally significant are the broad strategic issues such as childhood obesity and climate change, whose solutions lie across current departmental structures, and which require new ways of working with delivery partners outside government. The new Public Service Agreements (PSAs) set out areas of joint responsibility between departments for achieving desired outcomes against many such issues.
- 83.** We therefore recommend developing an approach to cross-departmental capability to facilitate an assessment of those involved in delivering some or all of the cross-cutting PSAs. Whilst PSAs set targets and milestones, we believe that these should be augmented by a systematic consideration of the collaborative capability needed to achieve these targets.

## **Corporate resources for change**

### *Ministers*

- 84.** Capability Reviews differ from their closest comparator in local government in that political leaders are currently outside the model and process. In local government, the quality of the relationship between political and managerial leaders was seen to be crucial to the success of the organisation. It is also critical that there are effective working relationships in central government; we suggest that opportunities be found for involving ministers further.
- 85.** Possible approaches include the following:
  - Ministers should be involved in the future Capability Reviews work which focuses on the organisational processes in which they take part.
  - A group at minister of state level could be invited to form a panel which works at key stages in the assurance process, in parallel with the group of permanent secretaries whose establishment we are recommending.
  - Further thought could be given to enhancing the involvement of ministers in reviews of their departments, focusing perhaps on how well political priorities are taken through to delivery.

- Engaging ministers in Capability Reviews of the cross-cutting PSAs would fit well with their primary concern of achieving outcomes, and also with their commitment to the Government's programme as a whole.

**86.** We suggest that one or more of these options be carried forward for a period and then reviewed.

#### *Non-executive directors*

**87.** We have been struck by the richness of talent amongst people outside the Civil Service who wish to contribute to effectiveness in government, including the external review team members and the many non-executive directors of government departments. A recurrent theme in several Capability Review reports and in our fieldwork is that the role of non-executive directors has not been sufficiently thought through. Many non-executive directors feel that the current way of working makes little use of their abilities and experience. In particular, effective challenge is not always welcomed.

*'I'm finding it difficult to know how to add value to the organisation.'*  
(A non-executive director)

**88.** We recommend standard terms of reference which make it clear that a non-executive's role extends beyond ensuring propriety in corporate governance, to improving organisational performance. Their allegiance should be both to the department and to the wider principles of good leadership, management and governance. This should enable the system to make better use of them and allow them to make a contribution that they find more satisfying.

**89.** To make this a reality, it would also be helpful to develop them more as a cadre, to introduce them to their corporate responsibilities in addition to the departmental ones, and to foster their engagement with each other through networks that provide support and challenge.

#### *A stronger role for the corporate centre*

**90.** So far in the Capability Reviews programme, the primary role of the corporate centre has been review and assessment. When it comes to actually making changes and improving capability, many respondents have told us they feel on their own. Some want it that way, and do not see the corporate centre having a more developmental role. We met some resistance from Senior Civil Servants to any idea of an enriched role for the corporate centre. We believe, however, that the corporate contribution to capability building is vital and needs to be enhanced.

*'They should also invest most of the support and help for those departments most at risk.'* (A Capability Reviews Team member)

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91. People who work in the corporate centre are not short of ideas about how to make a contribution, but lack resources to make them happen at world class level. The Civil Service Capability Group in the Cabinet Office is forced to make choices between activities which would all add significant value to the Civil Service. The National School of Government should be a corporate resource, but its funding model prevents it from diverting resources from the funded work it does for departments. We recommend investment in developing the following key corporate capabilities; without this, it is likely that the process of departmental improvement will be too slow to sustain momentum.
  92. **Knowledge capture and transfer:** Firstly, there should be a more professional approach to knowledge capture and knowledge transfer, and indeed the whole innovation process. Current good practice exchanges founder on a lack of adequate infrastructure and process. This will make the most of the situations where some parts of government have real capability but others do not, and facilitate learning across those boundaries. A small and highly expert central unit could provide the infrastructure for knowledge transfer and innovation in central government.
  93. **Overcoming common capability gaps:** Secondly, where there are common capability gaps, we need a centre of excellence with understanding of the gap and the capacity to source the world's best offerings and examples in that area. This is not a generalist task. It requires subject knowledge and independent judgement.
  94. Some of these gaps are functional (for example HR, IT or finance) and therefore the responsibility of heads of profession. Other gaps (such as top management team working, effective design of delivery processes, metrics, change management, or working with delivery partners) fall outside the core of these specialisms in government, and will need to be addressed separately.
  95. The long-term answer here is more open travel between the Civil Service and the wider economy. The shorter-term answer is to create a small group of people who could provide guidance based on broader knowledge about benchmarks and good practice examples outside government, and facilitate the contact with those external centres of excellence. Contact between those who know they need to know, and those who do know, is when real knowledge transfer takes place. In the Sunningdale Institute, government already has a virtual academy which connects a wide range of people with expertise in aspects of management, organisation and governance. The Institute could have a further part to play in bridging these common capability gaps.

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- 96. Talent management:** Finally, senior talent is the key to making rapid strides in improving capability. Much better resourcing of the corporate capability to find the right people for the right place is needed, with a willingness of highly capable departments temporarily or permanently to give up some of their best staff to ensure that the gaps are reduced. Looking again at local government, the movement of talent from high- to low-performing councils was a key factor in raising the threshold of capability. The Civil Service should commit to such a process and provide the means, including the resources in the corporate centre, to make it a reality.

### **Sustaining the momentum whilst developing dynamic capability**

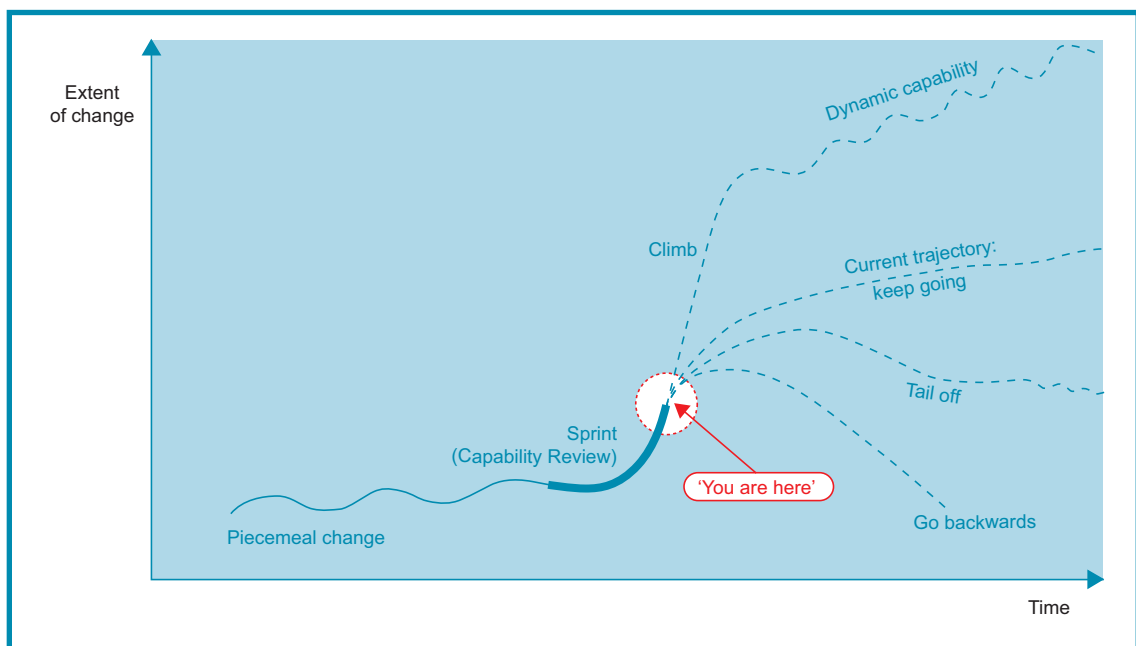
- 97.** Rigorous and demanding though the agenda we set out in this chapter is, it is a fact of life that change programmes run out of steam eventually. We believe that the agenda set out here will help to sustain momentum to keep the change going, but that the really significant sustainable gain comes from the agenda set out in Chapter 5. Dynamic capability is a concept where the momentum sustains itself and once in place does not require the great effort that will be needed in the change agenda set out in this chapter. The changes outlined in this chapter, however, cannot be leapfrogged – they are what will get us to the starting point for the step change to dynamic capability.

## 5. Introducing dynamic capabilities

98. This chapter examines what the Civil Service needs to do to go beyond sustaining the momentum of the Capability Reviews to build dynamic capability and a self-sustaining culture of improvement.

Figure 5: Change trajectories including dynamic capability

There is an opportunity for the Civil Service to develop dynamic capabilities.



### What are dynamic capabilities?

99. Dynamic capabilities have been defined as ‘an organisation’s ability to integrate, build, and reconfigure internal and external competences to address rapidly changing environments’.<sup>7</sup> Traditional capabilities, such as most of those in departments’ action plans, enable the organisation to become a more effective or efficient machine through one-off improvements. Dynamic capabilities enable it to become more like a smart, continuously learning, organism which can ‘keep the change changing’.
100. These dynamic capabilities are even more important in a world where consumers have ever-increasing expectations of service quality, delivery is increasingly through networks and markets as well as hierarchies, and most cross-cutting challenges require active collaboration with, and behaviour change by, the public and other stakeholders. To perform in this challenging environment, the Civil Service needs to become less mechanistic and more organic.

<sup>7</sup> Teece DJ, Pisano G and Shuen A, ‘Dynamic Capabilities and Strategic Management’, *Strategic Management Journal*, Vol 18:7, 509–533 (1997).



**101.** In practical terms, in the context of the Capability Reviews, a full range of capabilities (the exact balance will vary between departments) would involve a combination of effective, efficient and reliable current operations (i.e. meeting delivery and efficiency targets), the ability to develop evidence-based, implementable policies, and the following more dynamic capabilities:

- continuous improvement in effectiveness (as perceived by the customer/citizen) and efficiency;
- more robust systems and processes and improved ability to assess, take and manage risks;
- more flexible, adaptive culture and systems, both to improve the response if a crisis does occur and to support and deliver new or reprioritised policies; and
- the ability to identify and exploit new opportunities and deliver more radical innovations, increasingly in collaboration with other organisations (such as delivery partners or other government departments).

**102.** A Civil Service with better developed dynamic capabilities would enable the public to enjoy responsive, reliable, flexible, efficient, continuously improving public services designed to meet the needs of citizens rather than the convenience of providers.

**103.** Specific characteristics of a more dynamically capable Civil Service would be:

- **Socially distributed leadership:** ie, everyone in the organisation has a leadership role. In this type of context, it is accepted that everyone has two jobs: 'their day job' and 'improving their day job'.
- **A 'learning to learn' culture:** within which change is continuous rather than spasmodic and there is a commitment to learn from anyone who does something better inside or outside the organisation.
- **Effective cross-department working:** because the main focus would be on continuously improving the response to external challenges, opportunities and stakeholders, rather than focusing on the convenience of providers or the maintenance of existing procedures, cross-cutting issues such as obesity would be addressed more effectively than they are today, as would system-wide challenges such as those posed by the 'transformational government' agenda.

**104.** An enabling condition for dynamic capabilities (and also a feature of a dynamically capable organisation) is an open, honest culture characterised by mutual respect and a commitment to keeping promises. One feature of such a culture is open dialogue that includes frank challenges to existing ways of working. There should be no gap between what leaders (at all levels) say and what they do.

*'[I am] optimistic that change will happen; but is it enough in the current environment? As public perception might not change.'*

*'Have we defined a step change? Is it a 30–80 per cent improvement?'*

*'[The] steeper the climb, the more infrastructure is required.'*

(Permanent secretaries)

### How to get there: benchmarking, visioning and measurement

- 105.** Dynamic capabilities are very down-to-earth. They are not about applying 'advanced management techniques' or complicated methodologies. Instead, the way to develop them is by introducing some simple, dynamically focused routines. Despite their simplicity, these routines need to be consciously designed. They are not a continuation of 'business as usual', even though most departments already have weaker versions of them. The three key dynamic routines which would need to be developed, or greatly strengthened, are benchmarking and learning, visioning and stretch, and measurement.
- 106. Benchmarking and learning that make a difference** would involve systematically:
- specifying a particular challenge;
  - nominating people/teams to study and learn from (either in-house or other 'live' organisations, or from the literature);
  - searching/studying the selected sources and generating the relevant insights; and
  - harnessing the results and embedding them into the organisation.
- 107.** A more dynamically capable Civil Service would make much more extensive and systematic use of study visits and other types of learning from benchmarks. Such learning would be codified and disseminated. At the same time, there would be more systematic learning from delivery failures within the Civil Service. The Civil Service would be more open to learning from abroad. The tone would need to be set by permanent secretaries spending more time interacting with other organisations outside central government.
- 108. Visioning and stretch that make a difference** would require the leadership not only to spell out a clear, simple, compelling vision of the organisation – something which is already partly incorporated into the Capability Reviews model and many departments' existing change programmes – but also to use the same approach routinely whenever a new initiative is considered.

109. At the early stages of every initiative, more time needs to be spent defining the end state that the organisation is seeking to achieve and the gap between this end state and the current situation. Having defined this, in order to bridge the gap, the organisation would then identify:
- issues/activities to be carried forward without significant change;
  - issues/activities which need to be significantly amended;
  - issues/activities which should be stopped; and
  - new issues/activities which need to be added.
110. Examples of this process might be: how to make UK public sector call centres world class; how to get large delivery departments optimally working together where it makes sense to do so; or how to tackle a cross-cutting challenge such as climate change.
111. **Measurement that makes a difference** would mean a more deliberate and systematic definition of what needs to be measured, how often, by whom and to what purpose. To support more socially distributed leadership, improvement and responsiveness, performance indicators (and measures of the intermediate steps/processes that precede them) should as far as possible be developed, owned, and used by those responsible for delivery, including front-line staff. As a general principle, the aim should be for such measures to permeate all levels of the organisation. In other words, measurement should not be seen as something which is done mainly to more junior people and used by more senior people.
112. An example of measurement that makes a difference might be measures of the interactions (and their outcomes) between a core department and a particular stakeholder segment or delivery partner. An analysis of these interactions and both good and bad outcomes could then form the basis of better, more effective and reliable systems and processes, as well as potentially saving resources. Ideally, this analysis and the development of improved processes would happen close to those in the organisation most directly involved.

## Enablers

113. These three sets of dynamic routines – benchmarking/learning, visioning/stretch, and measurement – are the cornerstones of the process of building dynamic capabilities. How effective they are will also depend on various enablers such as employee engagement (itself greatly influenced by the routines) and the quality of support from the centre. For instance, in Chapter 4 we discussed the need for the centre to facilitate both knowledge transfer and the more strategic management of talent. These factors would be even more important in the context of a serious attempt to move to a more dynamically

capable Civil Service. Such a move – which we have labelled ‘the climb’ – would require even more energy than the trajectory discussed in Chapter 4.

### ‘The climb’

*‘The term “learning organization” implies being exposed to things you’re not comfortable with. If everyone is comfortable, they’re not learning anything.’<sup>8</sup>*

114. If the decision is made to commit to a more dynamically capable Civil Service, the leadership must accept that getting there will be stressful, not only in terms of workloads and pressure – Senior Civil Servants are already used to that – but also discomfort and unfamiliarity. It will involve high levels of uncertainty and the resilience to keep removing the roadblocks put in the way by those seeking to limit change. Personally championing the new routines will be a central part of the leadership role to ensure that these routines really do make a difference and do not revert to box-ticking.
115. Further, the leadership must also show a high level of visibility, emotional intelligence and willingness to listen and engage, encourage and praise. Internal communications, engagement, and people development will all need to be a bigger part of leaders’ jobs than in the past.

### Next steps

116. It is unrealistic to expect rapid, system-wide development of dynamic capabilities at this point. Instead, we recommend picking a small number of areas – perhaps six areas including a combination of some units within departments and one or two cross-cutting issues – to act as trailblazers or beacons for the wider Civil Service. These should be agreed between the departments themselves, the Cabinet Secretary and the Civil Service Steering Board (CSSB). Top-quality change resources should be provided to support these beacon areas and progress monitored and encouraged by the CSSB and the wider group of permanent secretaries.
117. Once sufficient progress has been made in the beacon areas, the approach should be revised in light of the experience to date (consistent with the commitment to rigorous benchmarking, learning and measurement), disseminated and celebrated, and rolled out more widely, led by a growing cadre of change agents steeped in the process of developing and deploying the dynamic routines described above.

<sup>8</sup> Lehmann DR (Columbia University) in *Marketing Science Institute Review*, Fall, p3 (1993).

**118.** No-one should be under the illusion that the development of dynamic capabilities – if that is what the leadership decides to do – will be easy. It will require a very uncomfortable ‘lurch into the unknown’. But we hope that the Civil Service leadership will, nevertheless, decide to commit to this way forward in a number of ‘beacon areas’, while still following through the existing Capability Reviews across the whole core Civil Service, as described in Chapter 4. On this basis, the aim would be that, within two years:

- the substantial benefits of the current Capability Reviews and departmental change programmes will have led to significant capability improvements in most departments;
- programmes will be in place to enable the less capable departments to catch up; and
- the six or so beacon areas will be showing strong progress towards more dynamic capabilities.



# Annex A: About the Sunningdale Institute and the authors

## The Sunningdale Institute

The National School of Government's Sunningdale Institute is a virtual academy of thought leaders from the UK and elsewhere, primarily in management, organisation and governance. The Institute was launched in November 2005 and is chaired by Professor Cary Cooper of Lancaster University. Its Director is Professor Sue Richards of the National School of Government. The Institute's mission is to offer 'practical wisdom' to government to help improve service and outcomes for the public. Fellows offer new ideas and insights, undertake high-level interventions and together reflect on the learning which comes from that experience. They use their knowledge and analytical ability to work with the complex organisational and governance problems facing government, finding innovative but well-researched approaches to tackling them. In everything they do, Fellows also aim to contribute to building the capability of the National School of Government, assisting in its journey to offer development of people and organisations which really makes a difference.

## The authors

**Patrick Barwise** is Emeritus Professor of Management and Marketing at London Business School. He joined the School in 1976, having spent his early career with IBM. His latest book *Simply Better* (HBS Press, 2004), co-authored with Seán Meehan, won the American Marketing Association's 2005 Berry-AMA Prize for the best recent book in marketing. His previous publications include books on *Television and its Audience*, *Accounting for Brands*, *Strategic Decisions*, *Predictions: Media*, and *Advertising in a Recession* as well as numerous papers and articles on management, marketing and media. In 2004, he led an independent review for the Department for Culture, Media and Sport on the BBC's digital television services and was also a member of the Hansard Society (Puttnam) Commission on Parliament and the public. He is a Fellow of both the Marketing Society and the Sunningdale Institute. He is also a council member (and previous deputy chair) of Which?, the UK's leading consumer organisation, and an experienced expert witness, having worked on commercial, tax and competition cases in London, Brussels, Paris and Washington. His main current project is another book with Seán Meehan, *Customer Insights That Matter*, to be published by HBS Press in 2009.

**David MacLeod** has a portfolio of responsibilities which include being a non-executive director of the Department for International Development, non-executive director of Ofsted, Fellow of the Sunningdale Institute, Senior Associate of Towers Perrin and Visiting Professor of the Cass Business School. He is also a Fellow of the RSA and the Institute of Marketing. David has led private sector organisations through major programmes of change including an ICI-owned European business from a loss to 20%+ return on net assets. He was also head of the marketing team for Dulux where he significantly strengthened the brand through innovations which included Dulux natural whites. Latterly as a divisional CEO in ICI he brought together five separate businesses to form a global organisation of 3,500 people with sales of €1 billion. Profits were significantly enhanced through the merger process. He has

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managed businesses in each of the five largest countries in Europe and served on the boards of companies in Europe, North America, Korea and Russia. He worked at the Cabinet Office as senior adviser on change and performance from 2001 to 2003, working across different aspects of Civil Service wide reform. From 2003 to 2007 he worked at Towers Perrin supporting senior leaders in both the public and private sectors to implement change in order to enhance performance. He has co-authored a book called *The Extra Mile* to be published by Pearsons in December 2007 on the theme of how to fully engage employees.

**Sue Richards** was appointed as Director of Strategic Capability at the National School of Government in May 2006, having previously been the Director of Strategic Leadership. She was seconded to the National School of Government from the University of Birmingham, where she is Professor of Public Management in the School of Public Policy. Earlier in her career she was on the faculty of the London Business School and then was a co-founder of the consultancy company the Office for Public Management. She is a leading contributor to ideas about public leadership, the modernisation of public services and cross-cutting issues in public policy and public service. She has written extensively in these fields, undertaken management and organisation development work, and, before her move to the National School, was responsible for leading the School of Public Policy's work on strategic leadership. At the National School, she is responsible for developing their intellectual capital. Key to this is the Sunningdale Institute, which she directs. Sue leads the National School's partnerships with other public service academies. She also heads the School's internal processes for learning and innovation. Sue has been or is involved in a wide range of advisory posts. She was until recently a member of the governing body of the Audit Commission for England and Wales, and chaired its panel on analysis and research. She has also been a member of the Government's Modernising Government Project Board. For many years she acted as specialist adviser to various House of Commons select committees concerned with the Civil Service. She was a member of the Advisory Board of the Office for Public Service Reform. She is a member of the editorial board of the journal *Transformation* and also of the *Journal of Public Leadership*. Sue was awarded an OBE for services to public leadership in the New Year Honours of 2004.

**Howard Thomas**, BSc (London), MSc (London), MBA (Chicago), PhD (Edinburgh), DSc (Edinburgh), Dean of Warwick Business School and Professor of Strategy and Management, is the author of over 30 books and 200 articles on competitive strategy, risk analysis, strategic change, international management and strategic decision making. He was previously Dean of the College of Commerce and Business Administration, and James F. Towey Distinguished Professor of Strategic Management at the University of Illinois at Urbana-Champaign, USA, from 1991 to 2000. Prior to this, he was Foundation Professor of Management at the Australian Graduate School of Management in Sydney, and Director of the Doctoral Programme at the London Business School, and held visiting and permanent posts at institutions such as the European Institute of Advanced Studies of Management in Brussels, the University of Southern California, the University of British Columbia, the Sloan School

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of Management, MIT, and Kellogg School, Northwestern University. He is a past President of the US Strategic Management Society, past Chair of the Board of the Graduate Management Admissions Council, member of Beta Gamma Sigma, Fellow of the Academy of Management in both the US and the UK, Fellow of the Strategic Management Society and the Sunningdale Institute of the Cabinet Office, and Honorary Life Member and Vice-President of EFMD. He also serves as a board member of GFME, EFMD, ABS and State Farm Bank.

**David Tranfield** is Professor of Management, Director of Research and Faculty Development and Deputy Director of the Cranfield School of Management. Previously he was Director of Research at Sheffield Business School and Director of the Change Management Research Centre. He is a Fellow of the British Academy of Management and a Fellow of the Higher Education Academy. He has served on the Council and Research Policy Committees of the British Academy of Management (from 1993 to 2003) and on the Engineering and Physical Sciences Research Council (from 1993 to present). He is the 2006 and 2007 Director of the British Academy of Management Directors of Research Development Programme. He has served on numerous evaluation teams including the Atomic Weapons Establishment Research Advisory Panel (1998), the Scientific Council of the Ecole de Commerce, Lyon, France (from 1999 to 2002), the Aerospace Innovation and Growth 'Red Team' (2002), the Engineering and Physical Sciences Benchmarking Team on Technology Management to the USA (1997) and the Engineering and Physical Sciences Evaluation Panel for the Control, Design and Integrated Production Programme (1996). He was also a member of the small commissioning group for the Sunningdale Fellowship in 2004. He specialises in the management of strategic change, his work focusing particularly on technological, social and personal change. He has held over 20 major grants from research councils valued at over £6m, authoring over 200 publications. His work incorporates studies of change driven by new technologies, integrated systems and new work methods and he has pioneered a unique approach to 'evidence-based management'. He has a particular interest in the development of high reliability and failure-free management cultures and also the design of product-service systems. Practitioner-based methodologies often result from his work which address both strategic organisation design and implementation issues. For over 30 years he has consulted to managers and management teams, in particular helping senior management achieve step change performance improvement through the successful formulation and introduction of new strategies.



# Annex B: The advisory group

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The advisory group to the evaluation team is:

- Sir Michael Barber, Expert Principal, McKinsey;
- Paul Coen, Chief Executive, Local Government Association;
- Helen Ghosh, Permanent Secretary, Department for Environment, Food and Rural Affairs;
- Sir David Omand, visiting professor, King's College London, and formerly Permanent Secretary for the Cabinet Office, Home Office and GCHQ;
- Sir David Varney, the Prime Minister's Adviser on Public Service Transformation and Non-Executive Director, Civil Service Steering Board; and
- Ian Watmore, Permanent Secretary, Department for Innovation, Universities and Skills.

# Annex C: Evaluation methodology

## Introduction

Our general philosophy in undertaking this assignment was to adopt a qualitative approach to the evaluation. This was appropriate because of the following:

- the vast array of data available from numerous sources which made standardisation, codification and quantification difficult;
- the fact that much of the data was opinionated;
- there was a need to develop an understanding of the deeper structures and meta-narratives (storylines) emerging across a variety of contributions;
- in essence, our task was sympathetically to engage and develop a deep understanding of the single case study 'Capability Review' as a whole, and its strengths, weaknesses, contributions and omissions.

Whilst a qualitative methodology was helpful in enabling the encouragement and incorporation of contributions from all sources into our evaluation, it was always anticipated that data analysis and data synthesis inevitably would be a challenge. We address below how these challenges were met by using, firstly, an organising theoretical framework for structuring data collection and organisation and, secondly, by using our team process as an action-based methodology.

## Data

The evaluation review team took data from a number of sources:

- focused interviews with review team members, non-executive directors, change managers, departmental respondents and other interested parties, such as Whitehall commentators and journalists, and the Prime Minister's Delivery Unit (PMDU);
- documentary sources, including surveys, reports, personal communications, board presentation packs, permanent secretary responses, department action plans, review team notes, stocktake notes, and cross-cutting reports for Tranches 1, 2 and 3;
- articles in the published media;
- departmental websites;
- Ofsted Capability Review interviews;
- comments from the Sunningdale Fellowship.

An additional source of feedback to the evaluation team came from an interim presentation to the Civil Service Steering Board in late July 2007. This had the effect of confirming early findings and encouraging further development of the team-based process of the evaluation team. Additionally, the evaluation team has had numerous formal and informal conversations with the Capability Reviews Team and has been in receipt of their constant support and feedback.

The evaluation team was supported by an advisory group made up of senior and well-known figures in the public sector. This group periodically and at key points in the process evaluated and critiqued the output of the evaluation team. These opinions were helpful not only in terms of validation, but also in enabling the evaluation team to ‘debug’ key arguments and conclusions, as well as improve presentational quality.

## Data analysis

Data collection was facilitated by a framework derived from EPSRC grant GR/N33263.<sup>9</sup> The framework was derived to enable understanding and evaluation of the structure, process and quality of service delivery contracts. Using this framework, data was collected and organised as follows:

- **Conception** (How was the programme conceived and designed?)
  - How did the programme contrast with similar programmes in other fields?
  - How robust was the framework?
  - What was the derivation of the framework?
  - What was the generalisability and universality of the framework?
  - Was there a theory or research base to the framework?
  - What was the comparative element contained in the framework (in relation to other significant change programmes perhaps in the private sector)?
- **Inception** (How was the programme led and introduced?)
  - How was it launched and subsequently managed?
  - Was the programme tailored to meet specific local requirements?
  - How well was the programme supported and resourced?
  - What were the experiences of recipients of the programme and of review team members?
  - How well were the review teams prepared?
  - How well did the review teams work?
  - What was the modus operandi and process of the review teams?
  - What were the key dynamics concerning feedback events?

<sup>9</sup>Tranfield D R, Deasley P, Levene R and Smart P, *Team Working and Cultural Change in Construction: Developing a Service Delivery Approach*, 01/01/2001–31/12/2003.

- **Realisation** (What was the effect both at a single point in time and in the longer term?)
  - What immediate impact did the programme make in the short (immediate) term?
  - Did the programme succeed in initiating and delivering any one specific change in departments?
  - What immediate differences did the programme make in terms of the thinking of the leadership and management team?
  - What immediate changes were made to behaviours in the management team and to delivery routines within the department?
  - What artefacts, behaviours and organisational routines are in place now that were not in place before?
  - What changes in behaviours and routines are now in place that will keep the change agenda moving forward (creation of dynamic capability)?
  - Where does responsibility lie for making this dynamic capability happen?
  - Has responsibility for creating and executing the change agenda been socially distributed across departments?
  - What is the evidence of socially distributed routines now in place to ensure that this happens?
  - What are the performance measures that have been developed to sustain and evaluate this dynamic process?
  
- **Operation** (What is the future for the programme?)
  - What should be done to develop the programme to the next level?
  - Should the programme be repeated on a regular basis?
  - Should the review teams remain intact and be invited back?
  - Should a cadre of experienced reviewers be put in place who could regularly review irrespective of their department?
  - Should all departments proceed to the next step simultaneously or should a more bespoke programme be arranged?
  - How long before the next review?
  - How are proposed changes being embedded and measured?
  - What will be the role of the centre in supporting and resourcing future change?

## Data synthesis

Having used the above categories and questions as stimuli to generate data and organise contributions and responses, the evaluation team institutionalised a process in its working to generate funding in the form of propositions from the resulting dataset. The aim was to identify key aspects of the Capability Reviews Programme both as a whole intervention and in terms of its constituent components.

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Briefly, the method used required of the team several activities:

- Circulation across the team of all the data available from whatever source. This was extensive and was conducted mainly electronically. It resulted in extensive reading and absorption of detail.
- Responsibility for the observational aspects of data collection were spread across the evaluation team. Although no-one saw a whole review from start to finish, collectively the team were able to share and pool observations of reviews at different stages and undertake different tasks to simulate a view of the complete process. This helped synthesis and created a shared understanding.
- The team held regular meetings (21 were held during the period of fieldwork) and these were prioritised by the team. Prior to these meetings, team members agreed to interrogate their shared data sources individually and contribute their interpretations and views of key emergent propositions. The process then required each team member to present his/her propositions (with underlying evidence) for interrogation by all other team members. The variety inherent in a team of five ensured both the volume of propositions and thoroughness of interrogation. Only when there was general agreement were embryonic and emergent propositions allowed to progress into a final list.
- The final set of propositions were organised into the frameworks contained in this final report, its models, conclusions and recommendations, achieving our overall aim of systematically uncovering, exploring and understanding the constituent aspects of the Capability Review Programme and developing a deep understanding of its impact on the ongoing change process within the Civil Service.

## Conclusion

Overall, this report should be viewed as substantially but not wholly data driven insofar as the primary data from the interviews, coupled with material from secondary and other sources, was fundamental to feeding the subsequent process of systematic and structured review followed by professional interpretation by the evaluation team. In this sense, our study comprised both elements of 'research' and 'peer review'.

# Annex D: The model of capability



The model of capability has been designed specifically for the Capability Reviews. It was developed through consultation with senior leaders in Whitehall and external experts. The model is deliberately selective and designed to focus on the most crucial areas of capability – leadership, strategy and delivery.

# Leadership

## Key questions that test current capability

### L1 Set direction

- Do you have a clear, compelling and coherent vision for the future?
- How do you take tough decisions, and do you follow them through?
- How do you generate common ownership of the vision with your political leadership, the board, the organisation and delivery partners?
- How do you keep the vision up to date, seizing opportunities when circumstances change?

### L2 Ignite passion, pace and drive

- Are you visible, outward-looking role models, communicating effectively and inspiring the respect, trust, loyalty and confidence of staff and stakeholders?
- Do you display integrity, confidence and self-awareness in your engagement with staff and stakeholders, actively encouraging, listening to and acting on feedback?
- Do you display passion about achieving ambitious results for customers, focusing on impact, celebrating achievement and challenging the organisation to improve?
- How do you create and sustain a unifying culture and set of values/behaviours which promote energy, enthusiasm and pride in the organisation and its vision?

### L3 Take responsibility for leading delivery and change

- How do you role-model an effective corporate culture of teamwork at board level, including making effective use of non-executive directors?
- Do you and the senior leadership team accept the pressing need for change, demonstrate your personal commitment to it and act as an effective guiding coalition?
- How do you initiate and drive work across boundaries to achieve delivery outcomes?
- How do you manage change effectively, addressing and overcoming resistance when it occurs?

### L4 Build capability

- How do you identify and nurture talent and grow experience in individuals and teams?
- Do you have the right skills across the organisation to deliver the vision? Do you have a workforce development strategy to get the best from everyone and plan effectively for succession in key posts?
- How do you manage the performance of everyone transparently and consistently, rewarding good performance and tackling poor performance? Are everyone's performance objectives aligned with the strategic objectives of the organisation?
- Do you reflect the diversity of the customers you serve?

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## Strategy

### Key questions that test current capability

#### **S1 Focus on outcomes**

- Do you have a clear, coherent and achievable strategy with a single, overarching set of challenging outcomes, aims, objectives and success measures?
- Is your strategy clear what success looks like and focused on improving the overall quality of life for customers and benefiting the nation?
- How do you negotiate trade-offs between 'priority' outcomes?
- How do you work with your political leadership to develop your strategy?

#### **S2 Base choices on evidence**

- How do you understand and respond to what your customers want?
- How do you identify future trends, plan for them and choose between the range of options available?
- How do you ensure that your decisions are informed by sound evidence and analysis?
- How do you cultivate innovative solutions to existing and new problems?

#### **S3 Build common purpose**

- How do you engage, align and enthuse partners in the delivery chain to work together as a team to deliver the strategy?
- How do you remove obstacles to effective joint working?
- How do you work with partners when developing strategy?



## Delivery

### Key questions that test current capability

#### **D1 Plan, resource and prioritise**

- Do your business planning processes effectively prioritise and sequence deliverables to deliver your strategic outcomes?
- Are your delivery plans robust, consistent and aligned with the strategy? Taken together, will they effectively deliver all of your strategic outcomes?
- How do you maintain effective control of the organisation's resources? Do your delivery plans include key drivers of cost, with financial implications clearly considered and suitable levels of financial flexibility within the organisation?
- Are your delivery plans regularly reviewed?

#### **D2 Develop clear roles, responsibilities and delivery model(s)**

- Is the purpose of the centre/headquarters functions clear?
- How do you identify and agree roles, responsibilities and accountabilities for delivering your strategic outcomes across the delivery chain? Are these understood and supported by appropriate rewards and incentives, and governance arrangements?
- Do you have clear and well understood delivery models which will deliver your strategic outcomes?
- How do you work with partners to build capability in the delivery chain?

#### **D3 Manage performance**

- Do you take personal responsibility for driving performance and striving for excellence across the organisation in pursuit of your strategic outcomes?
- Do you have high-quality, timely and well-understood performance information, supported by analytical capability, which allows you to track performance across the delivery chain? Is performance information aligned with the strategic objectives of the organisation?
- How effectively are programmes and risk managed across the delivery chain? How do you realise and recycle benefits from programmes?
- How do you use financial information to drive greater efficiency and value for money?

# Annex E: List of interviewees

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Mark Addison  
Jon Alty  
Lucy Andrew  
Philip Auger  
Gavin Barlow  
Catherine Bell  
David Bell  
Brian Bender  
Paul Bolt  
Nancy Braithwaite  
Suma Chakrabarti  
Rod Clark  
Alexis Cleveland  
Sarah Cox  
Robert Deveraux  
Peter Doyle  
Jane Drabble  
Brian Etheridge  
Alun Evans  
Audree Fletcher  
Helen Ghosh  
Christine Gilbert  
Robert Green  
Richard Harris  
Dave Hartnett  
Keith Holden  
Nicholas Holgate  
Stephen Holt  
Peter Housden  
Tom Jeffrey  
Ian Jones  
Bernadette Kenny  
Paz Lalmohamode  
Vanessa Lawrence  
Leigh Lewis  
Ian Magee  
Stephen Marston  
Ciaran Martin  
Richard McCarthy  
Stephen Meek  
John Myatt  
Alistair Neil  
David Normington  
Gus O'Donnell  
Adam Pemberton  
Katie Ratcliffe  
Gill Rider  
Alison Rose  
Elliot Shaw  
Annie Shephard  
Steve Smith  
Mike Sommers  
Jonathan Stephens  
Helen Stevenson  
Ian Stewart  
Sue Street  
Andrew Templeman  
Peter Thomas  
Julia Unwin  
Jonathan Vickers  
David Walker  
Esther Wallington  
Ian Watmore  
Simon Webb  
Denise Whitehead  
Greg Wilkinson

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