1 Introduction: knowledge and performance – theory and practice

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The performance of public services is now more closely scrutinised than ever before. In the current age of hyper-accountability – what Michael Power (1999) memorably termed the 'audit society' – every teacher, doctor, social worker or probation officer knows that behind them stands a restless army of overseers, equipped with a panoply of league tables, star ratings, user opinion surveys, performance indicators and the like with which to judge them. It can seem to these public servants as if regulators, inspectors, government, politicians, the media, pressure groups and assertive service users line up to berate them for their shortcomings, criticise their failings and make ever more challenging demands on their services. Those who lead public organisations – chief executives, head teachers, directors and others – may with reason feel acutely vulnerable and personally exposed to the risks of any failure, whatever its cause, within their organisation.

The era of passive, compliant, respectful and grateful public service users; authoritative, distant and unchallengeable professionals; and comfortable, complacent, conservative and unchanging public bureaucracies is long gone. Those who feel a tinge of nostalgic warmth for times past should remind themselves that, rather than this being a halcyon age for public services, it was a time when mediocrity and incompetence were tolerated or ignored in public services, when poor standards or inadequate performance often persisted for years, and when a 'club culture' evolved in which public services often seemed to be organised to benefit their staff, not their users or the public (Kennedy 2001). The costs and consequences of public service failures for the life chances of some of society's most vulnerable members were huge (Walshe and Higgins 2002; Stanley and Manthorpe 2004), and the impact of poor schooling, social housing, healthcare, social care and other public services fell disproportionately on the less well off.

So, have things got better? After almost three decades of 'new public management' (Ferlie *et al.* 1996), and a rolling, ever-changing programme of public services reform under both Conservative and Labour governments,

it is demonstrably true that in many areas public services have been transformed, and are quantitatively and qualitatively much better than they once were (Barber 2007). But it is not straightforward to make any kind of causal connection between those improved services and the way that public service organisations' management, governance and organisation have changed (Pollitt and Bouckaert 2004). Was it increased investment, or stronger regulation, or competitive pressure from market competition, or active users exercising choice and voice, or some messy, accumulated effect from all (or some, or none) of them that brought about improvement? Ideology, rhetoric and received wisdom play as great a part as evidence in shaping our conceptions (or preconceptions) of what has worked, and why, and there is justifiable scepticism about many of the nostrums of new public management (Sclar 2000; Olsen 2005).

Of course, it can also be persuasively argued that some less measurable aspects of performance have worsened while other more observable dimensions of performance have improved (Bevan and Hood 2006), and that in some areas public services and the typical experiences of service users have remained stubbornly much the same despite the welter of reform. Moreover, there is still no shortage of examples of poor performance in public services – which once exposed may these days result in high-profile sackings, or be the subject of public inquiries or investigations, but which also serve to highlight the continuing challenges of securing consistent high-quality performance in public services, even with all the apparatus of performance management and improvement that is now in place (Walshe and Higgins 2002; Stanley and Manthorpe 2004; Walshe and Shortell 2004).

In short, while we undoubtedly know much more about the performance of public services than we once did – we have far more data available, and more sophisticated ways to process and present that data into information about performance, and that information in turn is reported more publicly and transparently – we still have a rather limited understanding of how that information is used to bring about improvements in performance. What goes on inside the 'black box' of public organisations to move from information to action, or from 'knowing' to 'doing' (Pfeffer and Sutton 2000)? This book tackles that central question, by reviewing a wide range of what might be called 'performance mechanisms', unpicking their underlying theories and assumptions about human and organisational behaviour and knowledge mobilisation, and exploring whether, how and why they use information and change performance in public services.

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Our aim in this book is not to produce some grand, unifying theory of performance measurement and improvement, nor is it to describe and review comprehensively every performance mechanism available or used in the public services. Rather, we have endeavoured to bring together the expertise needed to look at most of the main performance mechanisms in use from a common perspective – one which sees organisations as systems for knowledge processing (Easterby-Smith 1997; McInerney 2002), and is focused on exploring the acquisition, assimilation and application of knowledge in these performance mechanisms to bring about performance improvement.

Perhaps we should justify our adoption of this knowledge-oriented stance, which some may feel privileges the place of knowledge or information in organisations above other considerations such as politics, power or personalities, and emphasises the knowledge-processing function in organisations above other functions such as group socialisation, resource accumulation and sharing, and the collectivisation of risk and reward.

First, and perhaps most obviously, we think there is ample empirical evidence from the practice of performance management and improvement in recent years to show that knowledge or information about performance does not lead axiomatically to performance improvement and that poor performance is not usually a matter of knowledge but of action. While some public organisations seem galvanised to change by comparative information such as league tables or inspection reports, others are passive, sceptical, hostile or dismissive in the face of such evidence (Jas and Skelcher 2005). While some public organisations have a sustained track record and history of striving for and attaining high performance, others seem mired in permanent failure, or firmly ensconced in comfortable mediocrity (Meyer and Zucker 1989). What is it that makes these organisations, which are superficially similar in function and purpose (they are all schools, or hospitals or local councils, or whatever) respond so differently to data about their performance?

Second, we would argue that the existing literature on performance management is really predominantly concerned with performance measurement, often has a rather specific conception of information about performance as objective, quantitative and atomic (we tend to use the term knowledge because we think it generally has a broader connotation, something which we discuss later in this chapter), and tends to downplay the social and organisational context in which information is produced, distributed and used or consumed (Bouckaert and Halligan 2008; Moynihan 2008). Indeed, we think information use is often simply presumed, yet there is plenty of evidence to suggest that this is not the case.

Third, we think there is a substantial literature from outside the realm of public management and performance management, which is potentially relevant and useful in understanding these issues. The extensive literature on the diffusion or spread of innovation (Greenhalgh *et al*. 2004), on knowledge mobilisation (Nutley *et al*. 2007), on dynamic capabilities and absorptive capacity (Teece *et al*. 1997) and on learning in organisations (Easterby-Smith 1997) has, we would argue, much to contribute to our understanding of how to secure performance improvement in public services, and how best to design and apply performance mechanisms and performance regimes.

Fourth, we would argue that a knowledge-oriented perspective on organisational performance may provide a useful and a novel way to connect and integrate our understanding of what often seem like very different and disparate performance mechanisms, and a framework for thinking more analytically about the embedded assumptions and theories in use that underlie those performance mechanisms. For example, we think that rational-actor models and theories are implicit or assumed components of much policy and research on performance management and improvement, but need to be made explicit and open to challenge, confirmation or contradiction (Monroe and Maher 1995).

Performance: policy and research

It has already been noted that the last three decades have been a time of extensive public services reform, in which there has been a paradigmatic shift in thinking about issues such as the role of the state in service provision, the nature of accountability, trust and governance, and the expectations of service users and the wider public.

We have seen the introduction of markets, choice, competition, contestability, and the splitting of purchasing and service provision; the creation of greater user representation or voice, user involvement or consultation, and the definition of entitlements and rights; the rise of regulation, oversight, scrutiny and inspection; the setting of formal standards, targets, performance measures and indicators, and their publication in league tables and other forms; and a host of other changes major and minor. This is not the place for a review of the complex history of public services reform, but we should highlight a number of characteristics of this period that are relevant to the purpose of this book.

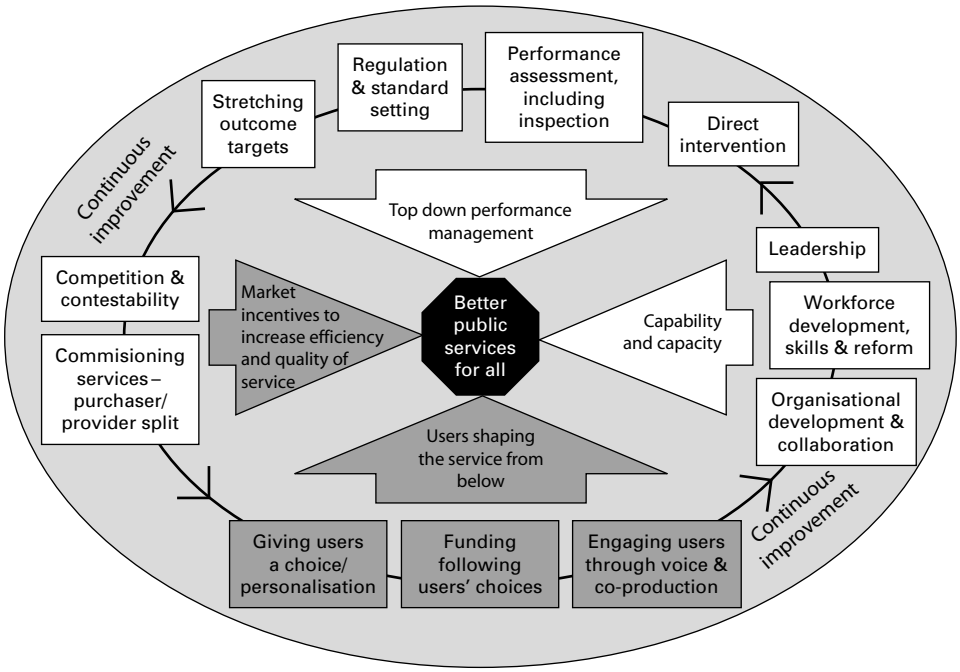

Figure 1.1 Public services reform in England: a conceptual framework (Cabinet Office 2006)

The policy process of public services reform has been classic 'muddling through' and about as far from the 'ideal' of rational, planned and evidence-based policy-making as it could be (Lindblom 1959). Governments have seized on ideas for reasons of ideology or political advantage, have rarely been interested in piloting or trialling them unless forced to do so, have shown limited interest in researching or evaluating their effects, have rushed and crowded their implementation in ways that often seem likely to diminish any beneficial effects, and have often seemed to lose interest in reforms once they have been announced and enacted legislatively. Despite some periodic rhetoric about 'what matters is what works' and the importance of evidence-based policy-making, there has been little apparent strategic direction or underlying design in evidence – apart, perhaps, from a synthetic (in both meanings of the word) reform narrative constructed largely after the event (Cabinet Office 2006). Figure 1.1 provides an apparently coherent illustration of the components of public services reform in England, but we would argue that it conceals more than it reveals both about the process of reform and about the way reform initiatives have combined and interacted.

In reality, reform has been cyclical in nature, and cumulative in application. Ideas such as markets, competition and provider/purchaser divisions have surfaced repeatedly at different times, under different governments and in different parts of the public sector. New reform initiatives have been introduced and added to the mix with little apparent thought of their interconnection or interaction with past or existing reforms. It is no exaggeration to say that government has, in the last two decades, tried out more or less every performance mechanism it can think of – either in sequence or, more often, in parallel or combination. In recent times, new initiatives often contain little new thinking, and are essentially the 'retreading' of performance mechanisms already tried out – with limited or variable success – in the past. This perhaps suggests a degree of frustration in government with the rate and direction of progress in public services performance, and an increasing tendency to react by simply 'pulling harder' on the levers of power.

These public services reforms have been researched, but we are not convinced that the research has had much impact on the reforms themselves. Research has been mostly undertaken retrospectively, with a brief to describe and evaluate the results of reforms rather than to shape them. It has rarely been experimental or formative in nature, and constructed to trial or test policy interventions empirically. Much research has been commissioned by the government departments and agencies responsible for the reforms themselves, and their advocacy for reform initiatives has often made it difficult for them to hear unwelcome results and for researchers to voice them. We would also argue that research has often been relatively atheoretical, both in not bringing to the reform process a coherent set of theories about organisational performance and in not using the research itself as an opportunity for theory building. But most importantly, we see little evidence that the results of research have been used by policymakers.

In short, while this book consciously adopts what we called earlier a knowledge-centred perspective in trying to understand public services performance improvement, it seems unarguable that the process of reform of public services aimed at improving performance has not exactly been a model of knowledge mobilisation. Indeed, a secondary contribution of this book might be to promote the wider use and application of ideas about how we acquire, assimilate and apply knowledge in organisations to the policy process itself.

Knowledge and performance: towards an analytic framework

This chapter tries to provide a conceptual or analytic framework for the rest of the book. It is intended to set out a knowledge-focused perspective, which enables us to set the descriptions of performance mechanisms contained in individual chapters alongside each other and to make some useful comparisons and contrasts between them. The key issue is how to make sense of what seems like a divergent and heterogeneous set of performance mechanisms – often with competing or undefined theoretical bases. Finding a comparative basis for analysis will help to highlight both areas of convergence and divergence in theory and practice.

We do this in two ways. First, we use a model based on the concept of absorptive capacity to illustrate the connections that may exist between these different performance mechanisms and knowledge processing in organisations (Cohen and Levinthal 1990; Zahra and George 2002). We use this model to outline the content of the chapters which follow this one, and to explain how we see them interconnecting and contributing to the wider aims of the book. Second, we then set out a number of dimensions for comparison through which these different performance mechanisms might be compared and contrasted. Our aim here is to provide a framework for thinking about their evaluation.

In organising our understanding of the different performance mechanisms described in later chapters of this book from a knowledge-focused perspective, we have found it helpful to use a model of absorptive capacity produced by Lane *et al.* (2006), which also forms the basis of Chapter 11 of this book, where it is described in some detail. Briefly, Lane and colleagues offer a model of organisational performance in which the 'absorptive capacity' of an organisation (which is its ability to acquire, assimilate and apply knowledge) is seen as central to its outputs and performance. They propose that absorptive capacity is itself a product of a number of internal and external antecedents – these are dimensions or components of the organisation or of its wider environment which, it is argued, bear on its absorptive capacity, and so on its outputs and performance. The model is illustrated in Figure 1.2 below.

The chapters of this book map quite neatly to the components of the Lane *et al.* model. Chapters 2–5 all explore the workings of performance mechanisms that are essentially concerned with what Lane *et al.* term the 'external antecedents' to absorptive capacity – environmental conditions, internal and

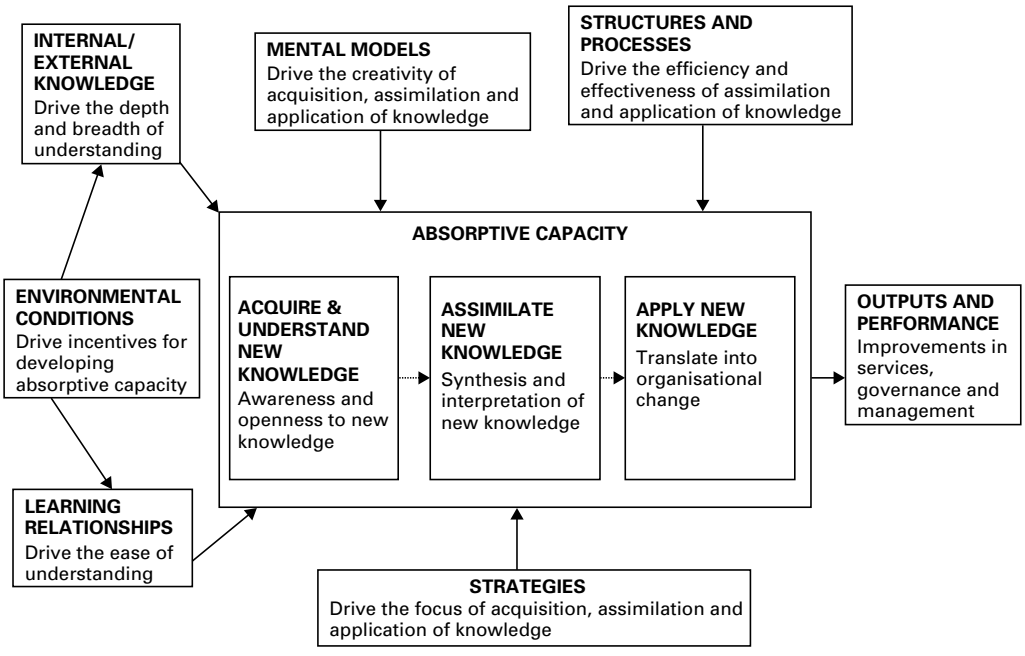

Figure 1.2 Absorptive capacity: summary of the Lane *et al.* (2006) framework

external knowledge, and learning relationships. These performance mechanisms are all primarily external to the organisation, and their programme theories tend to concern the way that external pressures, incentives or drivers may shape organisational performance. The nature and availability of knowledge about performance, the presence of environmental incentives for learning, and the nature and quality of relationships with external stakeholders all play a part in the way that these performance mechanisms are conceptualised and described. The chapters discuss the use of inspection and oversight (Chapter 2); the publication and use of information on performance in the form of indicators, league tables and the like (Chapter 3); the ways that consumers, users, citizens or the public exercise choice and voice (Chapter 4); and the use of competition and contestability (Chapter 5).

Chapters 6–9 tackle performance mechanisms that are more concerned with what Lane *et al.* term the 'internal antecedents' to absorptive capacity – mental models, strategies, and structures and processes. These performance mechanisms have a locus of action which tends to be more within than without the organisation, and their programme theories tend to be more concerned with intra-organisational behaviours, stakeholders and activities. The mental models of the organisation is a term which embraces organisational culture,

leadership forms and behaviours, and the internal organisational narrative and sense-making processes. The chapters discuss corporate governance and boards (Chapter 6); leadership and leadership transitions (Chapters 7 and 8); and improvement processes and systems (Chapter 9).

Chapters 10–12 explore the knowledge-processing role of the organisation directly – in the language of Figure 1.2, they are about 'absorptive capacity' itself. In Lane *et al.*'s model, this is conceptualised as three basic processes – acquiring, assimilating and applying knowledge – though this description and the figure perhaps suggest an overly linear or successive conception of the process. An alternative way to describe them is as exploratory, transformative and exploitative learning. The chapters discuss the role of evidence from research and other sources in improving performance (Chapter 10); the contribution of absorptive capacity to understanding performance decline and turnaround (Chapter 11); and the use of dynamic capabilities in the way that public organisations deploy their resources to achieve change (Chapter 12).

As is often the case, the lines on the diagram in Figure 1.2 may matter just as much as the boxes expressing the concepts defined and discussed above, and it is worth considering what those lines mean. Do those lines represent hypothesised causal relationships, presumably in the directions indicated by the arrows? This would suggest that the knowledge-processing function of an organisation is a dependent function of the internal and external antecedents, and that organisational performance is primarily a product of that knowledge-processing function. Or are they intended to represent associative relationships, in which there is still a measurable co-dependence or interaction of some kind between external and internal factors and organisational knowledge processing? In either case, might we not hypothesise that other relationships, not shown in the diagram, are equally plausible – for example, might not the external environment be an important factor involved in shaping the organisation's mental models? For these reasons, we think the model in Figure 1.2 needs to be seen as a conceptual framework rather than as a hypothesised set of relationships, on which the lines represent interactions of particular interest, in each of which a generative rather than a successionist exploration of causality might be undertaken. We do not see them as representing simple, directional or exclusive causalities in themselves.

We now turn to our second task – offering some kind of framework for comparing the different performance mechanisms discussed in Chapters 2–9 in this book and finding a way to set them alongside each other. Below we set out seven comparative dimensions based essentially around the conceptualisation of knowledge and its use in the performance mechanism; the

evidence or ways of knowing about the performance mechanism; and our understanding of the deployment and contextualisation of the performance mechanism:

- **The nature of knowledge** – how do advocates of the performance mechanism conceptualise or express the nature of knowledge and information? For example, knowledge can be described as tacit or explicit, a continuum, which expresses the extent to which knowledge is seen as personal, subconscious, subjective, inarticulated, formative and experiential; or shared, conscious, objective, codified, summative and empirical in nature. Knowledge may be seen as quite peripheral to the performance mechanism, or central to its working. Knowledge may be seen as a separable product or property that can be defined, collected and disseminated, and used, or as something that is essentially integrated into organisational routines, cultural norms, cognitive behaviour and ways of thinking. Knowledge may be seen as a product of the external environment – to be acquired or sought out – or as essentially created and used internally, within the organisation. How is the place of knowledge and its use understood?
- **The nature of knowledge mobilisation** – how do advocates of the performance mechanism conceptualise or express the way in which knowledge is used to enact change in organisations? For example, do they use an instrumental or knowledge-driven model, in which knowledge is first produced, and the process is conceptualised in a linear fashion from production to application; or a problem-solving model, in which knowledge is produced in response to needs in the organisation and deployed accordingly through the performance mechanism; or an interactive model in which knowledge is exchanged through an iterative and interactive process involving dialogue and debate? How do they address the tactical, political or strategic dimensions of knowledge use through the performance mechanism, and the ways in which actors or stakeholders within and without an organisation may engage with knowledge and use it to serve particular interests?
- **Theoretical evidence for the performance mechanism** – unpicking and delineating the underlying theories (espoused theories or theories in use) of the performance mechanism in terms which both allow them to be compared and contrasted, and permit them to be questioned or challenged. What fundamental or other assumptions do they rest on, about organisational and individual behaviour, motivation, socialisation, etc.? What, in particular, is the intended or espoused connection between knowledge and performance improvement?