CAN SHARED PERFORMANCE TARGETS HELP CO-ORDINATE PUBLIC ORGANISATIONS? RATIONAL CONTROL AND ORGANISATIONAL POLITICS IN UK GOVERNMENT CROSS-CUTTING PUBLIC SERVICE AGREEMENTS

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About COCOPS

The COCOPS project (Coordinating for Cohesion in the Public Sector of the Future) seeks to comparatively and quantitatively assess the impact of New Public Management-style reforms in European countries, drawing on a team of European public administration scholars from 11 universities in 10 countries. It will analyse the impact of reforms in public management and public services that address citizens' service needs and social cohesion in Europe. Evaluating the extent and consequences of NPM's alleged fragmenting tendencies and the resulting need for coordination is a key part of assessing these impacts. It is funded under the European Commission's 7th Framework Programme as a Small or Medium-Scale Focused Research Project (2011-2014).

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Abstract

Coordinating organisations is a long standing problem of public governance but the role of shared targets has received relatively little attention. From a rational perspective, shared performance targets help shared goal setting across organisations, allow monitoring of progress towards shared targets and encourage joint action focused on achieving shared targets. Evidence from Public Service Agreements in UK central government shows that targets shared by organisations supervised by a single department improved vertical inter-organisational coordination. However, more consistent with an organisation politics perspective, structures for departmental accountability and blame limited shared targets' effects on horizontal coordination. Shared targets were predominantly vague outcome targets, shared delivery plans were poorly specified, measures of shared performance were underdeveloped and departments focused on activities they might be blamed for individually, shared responsibilities were neglected. Organisational mergers were necessary to focus attention on previously inter-organisational goals, revealing the limitations of shared targets by themselves as a tool for coordination.

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Introduction

The issue of organisational boundaries has long been at the heart of public organisation, with Gulick (1937) noting conflicting ways of defining organisational units on the bases of purpose, process, person/thing dealt with and place. Further organisational boundaries flow from different sources of political authority that define activities notably between Federal/central, state/regional and local levels, and distinctions between policy-focused and operational bodies that distinguish organisations. To complicate matters further, bodies influencing policy outcomes can have public or private ownership, funding or regulation, and operate in different public or private contexts, leading some to suggest that all organisations are in some sense public (Bozeman 1987). Organisational boundaries have associated benefits and costs; especially costs arising from the need to coordinate separate organisations to try and develop and implement shared objectives. Many tools have been used to try and achieve coordination across organisational boundaries, including setting strategic goals, budget systems including incentives, committee structures, movement of staff, and development of shared norms of working across organisations. A large literature has developed over time assessing the outcomes of these attempts at coordination and collaboration across boundaries (Bardach 1998; Hood et al 1999; Christensen and Laegreid 2007a; 2007b; Moseley and James 2008 Pollitt and Bouckaert 2011).

A large literature on performance measures and targets in the public sector has also developed in the study of public administration (Hatry 1999; Poister 2003; Hood and Bevan 2006; Pollitt and Bouckaet 2011; Moynihan 2008; Van Dooren and Van de Walle 2008). This literature suggests that policymakers often view performance measures that have targets as a rational control system that consists of 1) specifying targets, 2) monitoring performance against these targets, and 3) facilitating adjustments to achieve desired levels of control. Much of the literature points to a very different picture in practice with departures from these aims and outcomes. However, these existing studies have largely developed separately from the literature on organisational coordination and collaboration across boundaries. This paper defines and evaluates the relatively little studied tool of performance target systems that are shared by different public organisations to achieve coordination. Shared performance targets are potentially a special form of rational control for achieving coordination across organisations. However, an alternative perspective, informed by the

experience of performance targets in other contexts, suggests that they are vulnerable to organisational politics because of their shared characteristics.

Section one of this paper sets out the ways in which shared performance targets can operate as a rational form of control to improve coordination across organisations, focusing on shared targets for objectives, monitoring of progress towards shared targets, and mechanisms to encourage organizations to achieve shared targets. The expectations from the rational control model are contrasted with those from an organisational politics model, which draws on research findings both about organisational collaboration in other domains and the operation of performance targets for individual organisations. Section two evaluates these two contrasting sets of expectations using the example of the ambitious regime of cross-cutting Public Service Agreements adopted by UK central government, especially drawing on experience from the domain of employment policy. The final section draws conclusions about the different perspectives and sets out the implications for the use of shared performance targets as a tool of coordination.

Section 1: Systems of shared performance targets

Organisations consist of structures combing different resources, including staff and physical infrastructure, to pursue activities in order to achieve purposes. Organisational boundaries, and ways of mitigating undesirable effects brought about by these boundaries, have long been a central theme of public administration. Writing in the 1930s, Gulick argued that grouping work on the basis of its homogeneity may be undertaken according to purpose (such as furnishing water, controlling crime or conducting education), process (such as engineering or medicine), persons or things dealt with or served (such as immigrants or veterans) or the place where the service is rendered (such as a particular territory) (Gulick 1937). The extensive modern literature on 'governance' notes that organisations delivering public policies are split on many dimensions, suggesting that this term is preferable to 'government' in part to reflect this fact (Rhodes 1997; Laegreid and Verhoest 2010). Boundaries between organisations include those associated with levels of government, distinguishing federal/central, state/regional and local levels, and distinctions between policy-focused or operational bodies. To complicate matters further, bodies influencing policy outcomes can have public or private ownership, funding or regulation, and the public/private boundary is multidimensional (Bozeman 1987).

Within core public governmental systems, coordination issues have been disaggregated into horizontal coordination between departments and vertical coordination inside individual departments (Christensen and Laegreid 2007a; 2007b). The first horizontal coordination problem is observed between different departments in the process of deciding policy priorities with allocation of resources, a long-term political strategy, and a set of agreed goals beyond departmental differences (Mandelson and Liddle 1996, p. 236). For core executives, the departmental boundary makes it difficult to decide priority areas in policy making, and consequently 'departmentalism' can prevent them from allocating resources efficiently. The second form of coordination is vertical, top-down coordination. This is known as sectionalism inside individual departments, and stretches along different levels of those departments and other actors involved in implementing policy. The central department and local service delivery units frequently do not share a common set of long-term policy strategies or agreed goals, which often leads to fragmentation in the delivery of policy activities. This problem is exacerbated by aspects of new public management (NPM) reform intended to corporatize units into separate entities with focused performance target systems, which have instead driven organisations to concentrate on their own activities without consideration of consolidated systemic effects.

There has been increasing research into coordination of public organisations in general, including efforts to bring public and private organizations together on shared projects (Alexander 1995; Baradach 1998; Sullivan and Skelcher 2002). A range of control tools have received attention including staff movement between levels in the hierarchy; and attempts to disseminate shared strategic priorities and norms throughout the system (Bardach 1998; Hood et al 1999; James 2003; 2004; Christensen and Laegreid 2007b, Moseley and James 2008 Pollitt and Bouckaert 2011). This literature has mirrored that on strategic alliances in the private sector where businesses agree to pool their shared resources, capabilities, investments and core competencies to facilitate the manufacturing, or provision, and distribution of specific goods and services (Hitt et al 1997; Bamford et al 2004; Bierly III and Combs 2004; Hoffmann 2005; Holmberg and Cummings 2009). Work on general collaboration has only touched on the topic of formal shared performance targets. Aristigueta, Cooksy and Nelson (2001) discussed how shared interests across organizations supported by social outcome measures are able to encourage the actions of multiple agencies based on the case study of children's policy in the United States. The case shows that cooperation based on shared objectives is beneficial for getting designed outcomes beyond organizational boundaries. Huxham and Vangen (2000) found that performance agreements setting out shared objectives between public organisations are most successful in situations where joint agreements are

developed over time with constant interaction between the organizations, so that mutual trust is built up through collaboration work towards collective goals. This research still leaves a gap in knowledge about the theory or practice of formal shared performance target systems as a means of coordination.

Despite a large literature on individual organizations' performance targets (Hatry 1999; Poister 2003; Hood and Bevan 2006; Pollitt and Bouckaet 2011; Moynihan 2008; Van Dooren and Van de Walle 2008), the use of formal systems of performance targets that are shared across government organisations has received relatively little attention, and there has been little research explicitly focused on mechanisms for coordinating public organisations within the literature on performance targets. Some work on sharing of targets has been produced in the sense of vertical coordination mechanisms since the objectives and targets are normally shared vertically inside single organisations such as a department and its agencies (James 2003; Christensen and Laegreid 2007a, 2007b). Some government reports have discussed 'shared' target systems for horizontal joint work in a few areas, notably in Canada and the UK (AGC 2000; GAO 2000; and NAO 2005). However, the theoretical framework for analysis in these accounts is underdeveloped, inhibiting the accumulation of knowledge of potentially more general relevance and the examples reflect short term experience. Studies of strategic alliance in the private sector are more extensive and point to failures of alliances incorporating formal shared performance target systems across different businesses (Hitt et al 1997; Bamford et al 2004; Bierly III and Combs 2004; Hoffmann 2005; Holmberg and Cummings 2009). So far, there has been insufficient attention paid to whether analogous failures are evident in shared target systems within the public sector.

This paper develops two contrasting perspectives on performance targets in the public sector, summarised in Table 1. The first perspective is the rational institutional control perspective to targets which reads across the well known rational model of performance targets, discussed in theory and practice by many authors (Hoffmann 2005; Poister 2003; Hood and Bevan 2006; Bierly III and Combs 2004; Holmberg and Cummings 2009), to the context of shared performance targets. The rational performance target system consists of three elements: 1) Setting performance targets based on shared aims and objectives which ensure the mission and goals of the organizations are visible and concrete, 2) agreeing shared performance monitoring systems based on these aims and to assess progress relative to objectives and targets., and 3) setting feedback systems in order to modify the performance level based on the assessed performance outturns, providing incentives to

encourage those involved in the system to undertake action that improves performance against targets.

A contrasting perspective is offered by the organisational politics of collective action perspective on shared performance targets. This perspective draws on extensive, but previously largely separate, strands of research on the operation of performance targets in individual public organisations and the literature on cooperation between public organisations. Public organisations operate in structures reflecting their type, which entails public ownership, funding and/or being subject to political authority or regulation. This context affects the way that shared targets develop and operate. Focussing on the essential problem incorporated in behaviour of "sharing" the system, organizational politics implies that when the performance target system is shared beyond organizational boundaries; but the dominant accountability and resource structures are fixed on existing organisational boundaries, then collective action of the kind is necessary to establish and maintain, and effective shared performance target systems will tend not to develop.

The first element of shared performance targets is the setting of targets for common objectives agreed between relevant organisations, but organizational politics suggests that effective joint targets may be difficult to set because of differences in the fundamental objectives of public organisations. Even if there is overlap in some areas, these may not be sufficient drivers to specify and impose a joint set of targets. Existing studies of performance systems provide good discussions of the successes and failures of shared objectives in cases where they are shared vertically inside single organizations (Poister 2003). Poister (2003) has pointed out that statements of shared objectives are often overly general, vague and open-ended in terms of time. These poorly written objectives fail to convey any management commitment to achieve particular results (ibid.). In regard to the horizontally shared objectives, the literature on strategic alliances suggests that the interests of multiple organisations may differ in terms of their favoured objectives, the mixture of inputs, processes, outputs and outcomes; and for these reasons, strategic alliances of businesses often unable to find agreeable sets of shared objectives and fail as a result (Bamford et al 2004; Bierly III and Combs 2004; Holmberg and Cummings 2009). This literature suggests that analogous problems are likely where public organisations with different fundamental lines of accountability, for example departments reporting under responsible ministers separately to executives or legislatures, are involved in shared target setting.

Second, relevant groups of organizations are required to agree and develop joint performance information systems to monitor their progress using a range of performance indicators and assessment systems. The targets are often divided into four types according to the characteristics of performance they relate to: input relating to contributions to production, output relating to services or goods directly produced by an organisation, process relating to procedures and systems and outcomes in terms of impacts on the ultimate goals of the organisation (for an extensive discussion of types see Poister 2003). The literature on strategic alliances explains that collaborating organizations should initially agree upon output and outcome measures to assess the level of attainment of their strategic goals (*e.g.* profit and cash flow, or market share). If while such a project is still on-going it proves difficult to for the partner organizations to agree upon output and outcome targets, they should set input targets and measures instead (*e.g.* level of resource input made by each firm in the early stages of R&D alliances), and process targets which assess the quality of the relationship between partner organizations also become important (*e.g.* level of trust, speed and clarity of decision making) (Hoffmann 2005; Holmberg and Cummings 2009). These performance targets vary in terms of how long they take to achieve and the extent of the challenges they pose, but all of them should correspond to the shared objectives.

According to the organisational politics perspective, it becomes more difficult to agree joint performance assessment systems when targets are shared between multiple organizations because the degree of performance monitoring may vary widely among partner organizations. The study of strategic alliances in the private sector shows a positive correlation between difficulties in agreeing performance assessment systems and differences between partnered businesses (Hoffmann 2005; Holmberg and Cummings 2009). For example, if a set of targets is agreed between an airline company and a food retailer, it is likely to be more difficult to develop a performance monitoring system that both companies can agreed on than might be the case between two airline companies or two food retailers. Such difficulties can be attributed to firms operating in different markets sharing less jargon and methods of identifying performance levels (ibid.). Similarly, government agencies often differ in the arrangements they reach for assessing performance and the ways they use them for their own management purposes (Moynihan 2008). In performance reporting, where individual organisations' contributions to collective outcomes are unclear, there may be difficulty in joint presentation and sharing of information. Organisations may have incentives to mislead their partners and other bodies when they report on their performance outturn and information about performance may be distorted or not be reported at all (Hood 2002; Hood and Bevan 2006).

Third, the shared performance target system is likely to encounter difficulties in incorporating a feedback function on the basis of the extent to which targets are met. The literature on performance target systems in single organisations suggests that performance information may not be sufficient to diagnose a response, or may create incentives for organisations to concentrate on the targets to the exclusion of activities beneficial to broader organizational objectives (Carter et al 1995; LeGrand 2003). Where multiple organisations are involved, each organisation may have an incentive to free ride and leave it to other organisations in the collaborative arrangement to expend effort remedying performance shortfalls. The study of strategic alliances between business firms also supports this observation. Bierly III and Combs (2004) suggest, particularly in cases of non-equity alliances in which a partner firm does not have an equal position to its counterparts, the feedback cycle of the performance target system tends to become very weak. This is because the agreed performance targets, which have been imposed by the more powerful partners, tend not to provide incentives to the lower positioned partners. Such inequalities of influence are possible within governmental systems where different units are unequal in terms of their size and influence. Executive agencies in UK central government have been found to prioritise achieving their own performance targets over activities that benefit other organisations in the public sector (James 2003).

Finally, the feedback response to shared targets will be limited because organisations will have an incentive to seek to claim credit and avoid blame for performance. Blame shifting is likely to be particularly prevalent because on the systems typically hold individual ministers and officials in charge of departments individually responsible and collective responsibility is relatively weak (James 2003; 2004). Hood (2011) notes that partnership working and multi-agency arrangements are an 'agency strategy' to try to avoid blame and shift it across the partnership, such that no organisation will be held responsible for negative outcomes. Joint performance targets potentially put this strategy at risk to the extent they clearly set out the responsibility of individual organisations for collective performance. On this basis the expectation is that not only will organisations seek to avoid blame for problems by passing it to each other, that they will learn from this and seek to disentangle themselves from such structures where they are imposed on them. They may anticipate this outcome and seek to reduce their salience as part of a 'policy strategy' (Hood 2011) for avoiding blame by shaping the systems for public accountability that they get involved in, promoting the disjointed shared systems and vagueness of shared targets discussed above in the target setting process.

Table 1: Shared performance targets with expectations from rational and organisational politics perspectives on shared targets as a control system

Stage of process	Rational control	Organisational politics of collective action
Objective and target setting	Performance aims and objectives setting out the mission and goals of the organization to its members and other stakeholders in visible and specific forms. Specific performance targets based on these aims and objectives are set for achievement at particular points in time.	Individual organisational aims and objectives dominate discussion and specification of shared targets. Specific targets and timings reflect individual rather than collective concerns and agreement is difficult to achieve, collective targets will be vaguely specified and will reflect concerns to avoid blame for failure.
Monitoring and reporting of performance against targets	Performance measurement systems shared across organisations are established to assess progress relative to targets.	Individual organisations prefer measurement systems compatible with their own objectives and procedures for monitoring and reporting, making cross-cutting systems difficult to establish and operate.
Action following from reporting performance against targets	Feedback systems developed and run jointly by organisations, modify the performance level based on assessed performance using learning and incentives to encourage those involved in the system to undertake action that improves performance towards shared goals.	Individual organisations attempt to free ride on the efforts of the others and seek to defect blame and seek praise from shared performance outcomes. Organisations will protect their own behaviour and procedures and tend instead to criticise partner organisations.

Section 2: Public Service Agreements in UK Central Government

The UK Public Service Agreement (PSA) system offers an unusual opportunity to evaluate the rational and organisational politics perspectives. PSAs were a comprehensive performance target system used for all policy areas between 1998 and 2010 and defined performance objectives and targets linked to spending plans coordinated by HM Treasury. Between 1997 and 2010, PSAs were published in Comprehensive Spending Reviews (CSRs) of expenditure for the years 1998, 2000, 2002, 2004 and 2007. The system was highly ambitious and the justifications offered by UK policy makers who introduced PSAs were very similar to the rational perspective, especially improve working across central government department boundaries (Chief Secretary to the Treasury, 2000: 1). Sufficient time has now passed for the short and medium term effects of the system to be judged. In addition to analysing the general development and effects of the PSA regime, this paper also focuses on the case of coordination of employment policy following the first two PSAs. This policy area was for a long time considered to lack coordination, involving several different central and local government organisations and their contractors, most notably the Department of Social Security (DSS), the Department for Education and Employment (DfEE), the Employment Service, Benefit Agency, local authorities, and the Child Support Agency and Northern Ireland Social Security Agency (Secretary of State for Education and Employment 1998).

Public organisations are complex and their activities have effects that are extensive across a broad range of policy and implementation. In this sense, most of organisations in some way interact with each other to at least a limited extent. The interaction varies by degree and the PSAs system did entail a significant step change increase in shared performance targets across UK central government departments where their activities substantially related to each other because previously these systems were largely absent. Despite this increase, many potential areas of major shared activity were neglected, notably overlap between health provision and potential preventative health improvement activities of a range of departments including education and transport. In areas that were the focus of shared PSAs the targets were established in two ways: cross departmental (horizontal) meaning that the objectives and targets were shared between the relevant departments (e.g. objectives and targets shared between DSS and DfEE), and single departmental (vertical) where the objectives and targets were shared between central departments and local service delivery units (e.g. objectives and targets shared between DSS, JobCentre+ and Child Support Agency).

The classification of these PSA targets as either horizontally-shared cross-departmental or vertically-shared single departmental targets depends on how these two types of target are defined in the PSA regime. The CSRs consisted of formal and informal ways of sharing targets across departments. In regard to formal sharing, multiple related departments strictly and formally shared identical targets with each other. The wording of these shared targets is exactly same and often includes a note saying "joint (target) with [names of relevant departments]" (Chief Secretary to the Treasury 2000 2002 and 2004). Meanwhile, in regard to informal sharing of targets, the CSRs formally set out where departments were held jointly responsible for specific cross-departmental areas. However, in such cases the departments did not necessarily share identically worded targets; rather, they shared overall responsibility towards the relevant cross-departmental policy areas. What counts as a cross-departmental target depends on the classification criteria, and this paper focuses on formal ways of sharing targets across relevant departments where departments commonly set identically-worded targets. There is some additional sharing of targets for bodies within a single department delivering the overall policy on its behalf and these targets are considered as vertically shared targets between the central and lower level units in the department.

Setting Shared Targets

The PSA objectives and targets set out in the Spending Review 2000 marked the most substantial increase in the importance of the system in UK central government. The Public Service Agreements referred to the period 2001 and 2004 included 111 departmental objectives and 176 PSA targets assigned to departments for achievement in this period. Of these 176 targets, 38 were cross-departmental ones shared horizontally across multiple departments while the remaining 138 were single departmental targets. These PSA targets showed weakness in the linkage between objectives and targets for vertical joining up of performance within a department; 14 of the objectives did not entail any performance targets, and 2 of the targets did not have objectives corresponding to them (Chief Secretary to the Treasury 2000). It suggests that some departments seemed less conscious than others to formally ensure the objective for subordinate units.

The cross-departmental targets did not necessarily share unified objectives between relevant departments in any strict sense, and the dissonances in the departmental objectives governing the shared targets show much less development of the shared targets system than the rational perspective would suggest. In employment policy, although the DSS, DfEE and HMT shared four identical performance targets, the objectives corresponding to those targets were not strictly identical or shared between the departments. Thus, whereas the DfEE's objective in relation to

employment policy was simply "helping people without a job into work" (p.6), the objective set out for the DSS covered much broader goals related to employment; "promoting work as the best form of welfare for people of working age, whilst protecting the position of those in greatest need" (p.33) (Chief Secretary to the Treasury 2000). In other words, even though these two departments nominally shared four identical targets, those targets corresponded to two slightly different goals set out for the departments. This dissonance of objectives was not solved even in the later PSA period. The National Audit Office (2005) reported that joint targets were being used to contribute to different objectives by different departments which inhibited cooperation on shared objectives because the departments continued to prioritize their own individual departmental objectives.

The targets underpinning these objectives tended to be poorly defined even when they related to shared concerns. The cross-departmental outcome targets shared by the DSS, HMT and DfEE were abstract: "increase employment over the economic cycle", "reduce the number of children in households with no one in work", and "over three years to 2004 increase the employment rates of disadvantaged areas and groups, taking account of [the] economic cycle" (ibid.). These cross-departmental targets were less specific relative to single departments' targets, as shown in Appendixes 1 and 2. For example, the single departmental outcome targets for the DSS concerning modernization of the pension system focused on specific reforms of second tier pension provisions expected to be achieved by 2004 (ibid.). Similarly, the single departmental outcome targets for the DfEE set out very specific attainment levels for youth education: for example, increasing the percentage of children in specific age groups at or above expected standards in literacy, numeracy, and any other key subjects by 2004.

The types of target set for PSAs further reflected the difficulties of setting meaningful shared performance targets for shared compared to single departmental targets. Table 2.1 summarises the four types of target in PSA 2000: input, process, output and outcome. First, both single and cross-departmental targets clustered around the output and outcome types. For both the general systems and the case of employment, these outcome targets reflected a limited set of general aspirations rather than a broad set of concrete targets across the full range of outcomes for the policy area. Of the total of 138 single departmental targets, 72 were output targets and 56 were outcome targets. Of the total of 37 cross-departmental targets, 32 were outcome targets while only 5 were defined as output goals. In employment policy, the DSS and DfEE shared 4 performance targets, all of which were outcome targets. The relatively higher proportion of outcome targets for cross-cutting areas shows the even greater difficulty of setting targets that amounted to more than broad aspirations in

the area of shared working than in single departmental working. The departments could have defined input and process targets about the ways to achieve their goals. However, of these single departmental targets included only 3 input and 7 process target and, for cross-cutting targets, no input and process targets were defined. However, the complete lack of input and process targets for cross-cutting targets reflected an the inability to set specific targets for inputs and processes because of the difficulty of agreeing specific, as opposed to vague aspirational, targets.

The difficulty of developing shared mechanisms in pursuit of joint targets was evident in the Service Delivery Agreements (SDA) which set the details of activities in support of PSA plans by individual departments. The PSA regime between 2000 and 2006 did not mandate departments to coordinate joint plans for delivering cross-departmental targets (NAO 2005). The relevant issues were only featured in each department's plan (ibid.). For example, in response to the target to "increase employment over the economic cycle" (Chief Secretary to the Treasury 2000), the DSS (later the Department for Work & Pensions) defined the following in its SDA: "Launch 50 pathfinder offices for the new Working Age Agency in October 2001. These offices will fully integrate the benefits and employment related services for their clients"; (DWP 2001). However, these SDAs only provided individual departmental delivery plans of DSS (DWP) for the joint target, and the department left out the other relevant activities taken by the other relevant department to their SDAs. The SDA also reflected a more radical solution of merging organisations into a new Working Age Agency which 'solved' the coordination plan by changing the departmental organisational boundary rather than promoting working across organisational boundaries, illustrating the limitations of joint performance targets by themselves as a tool of coordination.

Table 2.1 Total number of PSA targets by department and type

Forms of Shared Targets and Names of departments		Types of Targets				Total
		input	outcome	output	process	
Cross Departmental Targets	CPS	0	3	2	0	5
	DfEE	0	4	0	0	4
	DFID	0	2	0	0	2
	DFTR	0	2	0	0	2
	DSS	0	4	0	0	4
	DTI	0	5	0	0	5
	FCO	0	3	0	0	3
	HMT	0	4	0	0	4
	HO	0	3	2	0	5
	LCD	0	2	1	0	3
	MOD	0	1	0	0	1
	Subtotal	0	33	5	0	38
Single Departmental Targets	Cabinet Office	0	0	5	1	6
	CPS	0	0	2	0	2
	DCMS	0	1	5	0	6
	DfEE	0	8	1	0	9
	DFID	0	4	0	0	4
	DFTR	0	7	9	1	17
	DoH	0	5	5	0	10
	DSS	0	1	4	1	6
	DTI	0	4	3	0	7
	FCO	0	7	2	0	9
	HMCS	0	0	7	1	8
	HMT	0	2	4	0	6
	HO	0	7	6	0	13
	Inland Revenue	0	0	4	1	5
	LCD	0	3	3	0	6
	MAFF	1	0	6	1	8
	MOD	2	2	2	1	7
	Northern Ireland	0	5	4	0	9
	Sub total	3	56	72	7	138
Total PSA 2000	Cabinet Office	0	0	5	1	6
	CPS	0	3	4	0	7
	DCMS	0	1	5	0	6
	DfEE	0	12	1	0	13
	DFID	0	6	0	0	6
	DFTR	0	9	9	1	19
	DoH	0	5	5	0	10
	DSS	0	5	4	1	10
	DTI	0	9	3	0	12
	FCO	0	10	2	0	12
	HMCS	0	0	7	1	8
	HMT	0	6	4	0	10
	HO	0	10	8	0	18
	Inland Revenue	0	0	4	1	5
	LCD	0	5	4	0	9
	MAFF	1	0	6	1	8
	MOD	2	3	2	1	8
	Northern Ireland	0	5	4	0	9
	Total	3	89	77	7	176

Note: Abbreviations: CPS (Crown Prosecution Service), DfEE (Department for Education and Employment), DFID (Department for International Development), DSS (Department of Social Security, DTI (Department for Trade and Industry), FCO (Foreign and Common Wealth Office), HMCS (HM Customs and Excise),

HMT (HM Treasury), HO (Home Office, LCD (Lord of Chancellor's Department), MAFF (Ministry of Agriculture, Fisheries and Food), and MOD (Ministry of Defence)

Monitoring progress against targets

The rational performance targets systems should entail an effective performance monitoring system. As part of the PSA regime, the progress of every department towards its targets was published in annual departmental performances reports. In principle, departments evaluated their progress against the PSA targets and SDAs using a standard performance attainment method showing their level of achievement (HMT 2003). Table 2.2 provides a summary of the terms and corresponding descriptions of performance outturns provided by HMT to assess the level of achievement by department of the 2000 PSA, and Table 2.3 provides a cross tabulation table showing how performance outturn corresponds to different types of target in the period up to 2004.

First, insufficient correspondence between departmental objectives and targets raises the issue of a lack of performance assessment measures. Of the 14 objectives that did not entail any performance targets were not consistently assessed under the regime, in part because some objectives required vertical joining up of performance systems between organisations under single departments' overall supervision. The performance outturn shown on Table 2.3 reveals underdevelopment of the joint performance monitoring system for cross-departmental targets. Four cross-departmental targets were reported as 'not assessable' and NAO (2005) reported that cross departmental targets were assessed by inconsistent means and that the same targets were evaluated in different ways by the different departments. In some cases a department reported that the target was 'on course' but the other departments reported that it was 'too early to evaluate impact' or that it was 'not yet assessed' (ibid.).

In employment, the performance measures for cross departmental targets were not sufficiently related to the targets. In measuring the outcome target to "increase employment over the economic cycle", the DWP referred to trends in the employment rate over the previous 20 years based on the national Labour Force Survey (LFS) (DWP 2002; ONS 2001 and 2002). Given the LFS's findings that the seasonally adjusted annual employment rate (*i.e.* the proportion of the population of working age who are in employment) increased between 2000 and 2002, the DWP declared the abovementioned target to be "*met* and *on-course*" (DWP 2002; HMT 2003). Nevertheless, the employment rate is normally influenced by multiple socio-economic factors. In order to measure the outcomes of the implementation of joint employment policy over time, referring to the historical

comparison of the employment rates is not necessarily the most effective indicator for measuring progress towards the goal of improving employment. Table 1 suggests that, in terms of outcome targets, organisations tended to monitor outcomes that best fit with their own individual outcome targets to the detriment of the collective aims they shared with partner organisations. Furthermore, the performance evaluation would have differed if alternative measures were used. For example, according to the unemployment measures established by the International Labour Organizations (ILO), which are recognised and used globally to identify national un/employment levels, the annual UK unemployment rate increased over the stated period (ILO 2003; DWP 2002). The ILO measured included the latest increase of the labour force. If the potential labour force increased and the employment rate did not increase as a result, then this measure could also be used in the performance evaluation.

Difficulties with monitoring were further evident in employment where a single departmental target entailing joint working across agencies within the purview of the department was necessary. In PSA 2000 the DSS set a process target of modernising and improving its service provision from 2001 by rolling out new IT systems to all staff dealing with customers (Chief Secretary to the Treasury 2000). The IT system improved the Job Centre Plus (JC+) but was defective when being used to calculate payments for the Child Support Agency (CSA) showing the difficulties in promoting collaborative working across these bodies (HCWPC 2004).

Table 2.2 Performance Outturn and level of achievements
(based on terms and criteria of the HMT Autumn Performance Report 2003)

Performance Level	Descriptions
Met	Target achieved by the target date (in final assessments)
Met early	The target has been met ahead of schedule (in interim assessment)
met on-going	For older targets where no end date was set, but the target level has been met and a decision has been taken to make a final assessment. (final assessment) The target is still live, but is measured on a continuous basis. (interim assessment before the completion date)
Partly met	Where a target has two or more distinct elements, and some – but not all – have been achieved by the target date.
Not met	Where a target was not met or met late
Ahead	Progress is exceeding plans and expectations
On course	Progress is in line with plans and expectations
Slippage	Progress is slower than expected
Not yet assessed	A target for which data are not yet available
Not assessable	This will only be used where the department reports that it is not possible to assess progress against the target during its lifetime or subsequently.
Not Known	Outturn is not available from existing accessible departmental reports published between 2002 and 2004.

*All performance outturn initially followed the performance level evaluation made by departments in annual reports.

*If there was no identification of the performance outturn level by the department, the performance level was judged following the description above, (e.g. Just referred to the performance figures or activities in year)

Table 2.3 Performance Outturn Summary

Forms of Shared Targets and types of targets		Ahead	Met	Met on-going	on course	partly met	Not met	slippage	Not Yet assessed	Not assessable	Not known	Total
Cross Depts. Targets	outcome	1	1	4	11	5	-	3	3	4	1	33
	output	0	0	1	0	4	-	0	0	0	0	5
	Subtotal	1	1	5	11	9	-	3	3	4	1	38
Single Dept. Targets	input	0	0	0	1	2	0	0	0	-	0	3
	outcome	0	12	5	12	11	3	7	3	-	3	56
	output	3	8	11	24	4	1	1	4	-	16	72
	process	0	1	0	2	0	0	0	0	-	4	7
	Subtotal	3	21	16	39	17	4	8	7	-	23	138
Total Performance Outturn of PSA2000	input	0	0	0	1	2	0	0	0	0	0	3
	outcome	1	13	9	23	16	3	10	6	4	4	89
	output	3	8	12	24	8	1	1	4	0	16	77
	process	0	1	0	2	0	0	0	0	0	4	7
	Total	4	22	21	50	26	4	11	10	4	24	176

(The column group above is headed "PSA 2000 Outturns".)

Feedback from performance against shared targets

The rational model of shared targets guiding multiple organisations towards shared aims contrasts with the organisational politics account of the difficulty of diagnosing and incentivising a shared response when these targets are shared across multiple organizations. Overall, the experience of PSA 2000 tends to provide support for the organisational politics account. First, the PSA regime entailed serious systematic failure from the perspective of the rational control cycle in the respect that there was no appropriate feedback system. As shown above, PSA performance was reviewed regularly, and ministers were held politically accountable through public reporting mechanisms and the Public Service and Expenditures Committee (PSX), which is a subcommittee of the cabinet chaired by the Chancellor of the Exchequer (Noman 2008). However, no formal or legal sanctions were given to ministers and departments flowing from target performance. In reality, underachievement towards shared targets was generally seen as undesirable by ministers and officials concerned about the reputational effects thereof (James 2004); however, the obscure and insufficient performance management structures of PSA targets diffused blame between departments. The blame diffusion between departments was more significant in cross-departmental targets. Departments tended to focus on planning the delivery of single departmental targets; because it was clearer who was to be blamed if policy delivery failed for these targets. This structural feature resulted in limited coordination of delivery plans for joint targets (NAO 2005; James 2004; Public Administration Select Committee 2002, 2003a). The PSA did not modify

departmental performance through feedback processes, which is a core feature of the rational perspective on shared performance systems.

Single departmental targets for vertical coordination of bodies within the purview of a single department showed more mixed-consequences. First, some targets were not sufficient to incentivise the lower delivery units because they were imposed via top-down structures whereby targets and objectives were agreed at the central management level and were non-negotiable for those lower units. (HCTC 2007; Chancellor of the Exchequer 2010a, 2010b). These structures provided the lower units with an excessive volume of breakdown performance targets and indicators for measuring their progress towards the PSA targets (Public Administration Select Committee 2003b; HCTC 2007). In employment policy, the 10 initial PSA 2000 targets set for the DSS, and later the DWP, gradually turned into approximately 30 annual performance targets and indicators for lower service delivery units between 2001 and 2004 (DWP 2002, 2003, 2004; JC+ 2003, 2004). In this hierarchical structure, the stated departmental goals were not necessarily attractive or fully understood by the lower units, for example reflected in the unreported delays and setbacks to the rolling out of new IT systems in the employment service delivery units. The target for the introduction of the new IT systems did not incentivise staff members in the service delivery units to actively work towards achieving this goal.

On the other hand, some positive consequence of vertical coordination of single departments using shared targets can be seen in a PSA target linked to employment policy. The DSS defined the output target as "reduc[ing] by 50% losses from fraud and error in Income Support and Jobseeker's Allowance by 2006, with a 25% reduction by 2004 (Chief Secretary to the Treasury 2000)." This national target effectively coordinated the performance assessment structures with the lower service delivery units. In 2003, in response to this PSA target, the JC+ set an annual target to reduce the total losses from fraud and error by 7% of the monetary value of the benefits paid during that year (JC+ 2003). In 2006, this target was lowered to 5.2% (JC+ 2007). In response to these targets, JC+ reported a reduction of 7.6% in total losses from fraud and error in 2003, and a corresponding reduction of 4.7% in March 2006 (JC+ 2007). Consequently, the DWP reduced losses from fraud and error in Income Support and Jobseeker's Allowance by 50% in March 2006 as compared with 29% reduction in 2004 (DWP 2004, 2006). In comparison with the abovementioned targets for IT reform, the target defined more specific and simpler goals for the lower delivery units. In this case,individuals in the lower delivery units could easily connect the stated goal concerning errors and fraud in the service provision to their own interests and activities. Furthermore, by giving the

same target, with gradual updates over time, the lower delivery units could repeatedly ensure that the goal was achieved. As this case shows, performance can be improved if goals are fully understood by lower delivery units and maintained as long-term processes. It also suggests that the fragmentation of performance targets can be reduced by the vertically shared targets through central to local organizations.

In spite of the condition where the shared target is able to control performance suggested by the case of fraud and errors, overall development of PSA between 2000 and 2010 rather developed unstable complex circumstances for subordinate organizations by changing the system structure within a short period of time. A new organization, the Prime Minister's Delivery Unit (PMDU) was created in June 2001 reflecting fragmentation within the political executive between the Chancellor in HM Treasury and the Prime Minister (James 2004). The quality of targets and performance information systems were improved between 2002 and 2006 (NAO 2006, 2007). However, there was a major review in 2007 that changed the structures. Only joint targets were published as PSAs in the 2007 review, and new supplemental targets for individual departments were created to support the revised PSA structure (Talbot 2010). This change caused the confusion inside government because not enough explanation was given to describing the relationship between the old and new systems and this reflected a partial unravelling of the attempt to set joint targets systematically across central government. Finally, the PSA regime was formally abolished after a change in government in 2010 although this change was not only because of the features of the system's operation discussed in this paper and is itself a topic worthy of future research.

Conclusion

The UK PSA regime shows that shared targets and objectives did not perform in a way consistent with the rational perspective and that the organisational politics of shared targets is significant. The cross departmental targets were more difficult to set across departments than to set for organisations under the supervision of a single department. There was a failure to agree joint input and process targets and specify clear joint plans across departments, reflecting the fundamental accountability system for central government focused on ministerial responsibility for individual departments. It was difficult to develop effective joint performance monitoring systems for the cross-departmental targets and the design of these systems reflected departments' concerns with avoiding blame for failing to achieve their own targets and neglect of shared aims. There was only weak feedback from

shared targets and they did not modify behaviour substantially to promote the achievement of shared performance goals. Departments were content to free-riding on the efforts of other departments in shared goals, particularly in not changing their own systems, and sought to avoid blame by vague outcome targets and the absence of substantial concrete input or process targets. A partial exception was in the area of shared targets between the central department and lower units under its supervision where, the reduction of error and fraud in employment policy shows that under these conditions shared targets were able to improve performance across these units and the department.

These finding extend insights about the operation of performance targets for individual organisations, where the failure of the rational perspective is well established, to the context of targets shared across organisations. The findings are a cautionary tale for policy-makers seeking to implement shared targets. The PSA regime shows that it is important to stabilise the control structure for the long term and to make it consistent with systems of accountability, and associated blame, if it is to change behaviour and performance. For vertically shared target, the system designers need to consider the issue of incentives and deceptions derived from the hierarchal ways of sharing targets. For horizontal shared targets, they should understand that horizontal coordination through the performance target system is even more difficult. The departmental differences and accountability by separate department limited cooperation, In the case of employment policy, a more radical reorganisation of functions to realign accountability relationships more generally was necessary to achieve the policy goals, showing the limitations of shared performance targets operating by themselves.

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Appendix A: The full list of PSA 2000 for DSS

No. of targets	Contents	Share types	Relevant departments	Performance factors and baselines	Types of measures
Objective 1 : ensuring the best start for all children and ending child poverty in 20 years					
1	Make substantial progress towards eradicating child poverty by reducing the number of children in poverty by at least a quarter by 2004.	CrossDept	HMT	None	outcome
2	Introduce the reformed Child Support scheme for new cases by April 2002, so that by April 2003 for such cases: • the accuracy rate for assessments and reviews is not less than 90%; • payment arrangements will have been established on average within six weeks; and • the level of compliance will be at least 75%.	Single		Yes	Output
Objective2: Promoting work as the best form of welfare for people of working age, whilst protecting the position of those in greatest need.					
3	Increase employment over the economic cycle	CrossDept	DfEE HMT	None	outcome
4	Reduce the number of children in workless households with no one in work over the three years to 2004.	CrossDept	DfEE	None	Outcome
5	Over the three years to 2004 increase the employment rates of disadvantaged areas and groups, taking account of the economic cycle, and reduce the difference between their employment	CrossDept	DfEE	None	outcome
Objective 3: Combating poverty and promoting security and independence in retirement for today's and tomorrow's pensioners.					
6	Reform second tier pension provision, working with pension providers and employers, so that by 2004: • stakeholder pensions have given more people access to good value funded second pensions; • two million carers and two million disabled people with broken work records have, for the first time, started to build up a second pension; and • 14 million low and moderate earners have started to build up a better second pension than would be possible under SERPS.	Single		yes	output
7	Introduce an improved, integrated modern service for delivering benefits and information to pensioners. This service will by 2004: • reduce the average cost of processing retirement pension claims and maintaining the caseload by 20%; • reduce the average cost of processing Minimum Income Guarantee (MIG) claims and maintaining the caseload by 15%; • ensure that 90% of MIG claims are processed within 13 days once evidence requirements are met; and • reduce by 20% the amount of MIG that is incorrectly paid.	Single		yes	Output
8	Make significant progress towards modernising welfare delivery so that: • by 2004, 85% of customers have their benefits paid into their bank account;	Single		yes	process
9	Reduce by 50% losses from fraud and error in Income Support and Jobseeker's Allowance by 2006, with a 25% reduction by 2004.	Single		yes	output
Value for Money					
10	Increase the efficiency of social security administration through: • improving the performance of the Child Support Agency in line with target 2; • improving the efficiency of services to pensioners in line with target 7; • improving the efficiency of services to working age claimants in line with target 8 and through the new working age agency; • reducing error and fraud in line with target 9.	Single		yes	output

Appendix B: The full list of PSA 2000 in DfEE

No. of targets	Contents	Share types	Relevant departments	Performance factors and baselines	Types of measures
Objective 1: ensuring that all young people reach 16 with the skills, attitudes and personal qualities that will give them as secure foundation for lifelong learning,					
1	Increase the percentage of 11 year olds at or above the expected standard of literacy and numeracy for their age. By 2004: increase the percentage of children who achieve level 4 in each of the Key Stage 2 English and maths tests beyond the targets for 2002 of 80% in English and 75% in maths. This target will be announced in due course; and • reduce to zero the number of Local Education Authorities (LEA) where fewer than a set percentage of pupils achieve these standards, thus narrowing the attainment gap. This target will also be announced in due course.	Single target	N/A	Yes	Outcome
2	Increase the percentage of 14 year olds at or above the standard of literacy, numeracy, science and Information & Communications Technology (ICT) for their age. Subject to consultation: by 2007, 85% to achieve level 5 or above in each of the Key Stage 3 tests in English, maths, and ICT, and • 80% in science; • as milestones towards that target, 80% to achieve level 5 in maths, 75% in English and ICT, and 70% in Science by 2004; and • for 2004, a minimum performance target will be set which will result in higher standards for the bottom 20% of pupils and narrow the attainment gap.	Single	N/A	Yes	Outcome
3	Increase the percentage of pupils obtaining 5 or more GCSEs at grades A* to C (or equivalent): • increase the proportion achieving the standard by four percentage points between 2002 and 2004; and • at least 38% to achieve this standard in every LEA by 2004 .	Single	N/A	Yes	Outcome
4	Increase the percentage of pupils obtaining 5 or more GCSEs at grades A* to G (or equivalent), including English and maths: by 2004, 92% of 16 year olds should reach this standard.	Single	N/A	Yes	Outcome
5	On pupil inclusion: • reduce school truancies by a further 10% from the level achieved by 2002; and • ensure that all pupils who are permanently excluded obtain an appropriate full-time education.	Single	N/A	Yes	output
Objective 2: developing everyone a commitment to lifelong learning, so as to enhance their lives, improve their employability in a changing labour market					
6	By 2004, increase by 3 percentage points the numbers of 19 year olds achieving a qualification equivalent to National Vocational Qualification level 2 compared to 2002.	Single		Yes	Outcome
7	In Higher Education, while maintaining standards: • increase participation towards 50% of those aged 18-30 by the end of the decade; • make significant, year on year progress towards fair access, as measured by the Funding Council benchmarks; and • bear down on rates of non-completion.	Single		Yes	Outcome
8	Reduce the number of adults who have literacy or numeracy problems by 750,000 by 2004.	Single		Yes	Outcome
Objective 3: helping people without a job into work					
9	Increase employment over the economic cycle.	CrossDept	DSS	None	Outcome
10	A continued reduction in the number of unemployed people over the age of 18 over the 3 years to 2004, taking account of the economic cycle.	CrossDept	HMT	None	Outcome
11	Reduce the number of children in households with no one in work over the 3 years to 2004.	CrossDept	DSS	None	Oucome
12	Over the 3 years to 2004 increase the employment rates of disadvantaged areas and groups, taking account of the economic cycle - people with disabilities, lone parents, ethnic minorities and the over 50s, the 30 local authority districts with the poorest initial labour market position - and reduce the difference between their employment rates and the overall rate.	CrossDept	DSS	None	Outcome
Value for Money					
13	Complete benchmarking work for schools by December 2002 so that schools will then be able meaningfully to compare costs with one another and thus improve value for money year on year.	Single	N/A	Yes	output

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