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Just how good are your leaders? The Capability Review: an example of organisational assessment from the public sector that everyone can learn from

The calibre of leadership is vital in shaping the pace, delivery and performance of an organisation. But, despite the vast time and money spent on balanced scorecards, objective-setting processes and performance management, many CEOs and boards do not have a clear view of the overall capability of their organisation or of its various operating businesses. They will have the classic financial business performance measures and measures on individuals, and teams (including the executive team) but not one simple way of reviewing an organisation's overall capability.

Perhaps surprisingly, a very useful example of how this can be achieved comes from the public sector. In 2005, the UK Cabinet Office introduced a *Capability Review* process (a civil service initiative rather than government policy) to produce evidence-based, objective reports on the leadership capability of Whitehall departments, with a clear set of scores that allows progress to be tracked every two years. To understand what can be learned, we looked at the published material – most of which is available on the website of the UK Government Cabinet Office.

All Whitehall departments have been through three reviews and the National Audit Office has produced an assessment which confirms that the reviews had a clear and positive impact. In particular, boards and executive teams tackled and improved their overall leadership capability in a much more deliberate and systematic way, addressing their key weaknesses and more easily learning from their peer group departments. Only four other countries in the OECD have comparable approaches.

In 2012, the UK Government announced that, having achieved significant progress, the Capability Review was being replaced by a new Department Improvement Plan which is due for rolling out in 2014. The Capability Reviews are described as having done their job well, and that the new process will be a natural, next stage, evolution.

This summarises the Capability Review idea and process.

Five stage process

The Capability Review was a straightforward, but thorough, five stage process:

- 1. Review.** A team of three senior independent reviewers (a mix of board members from other departments, local government and private sector executives) conduct challenging

interviews and workshops with a wide cross-section of leaders and external stakeholders during an intensive two week period. They also look at a range of relevant material (from employee surveys, to board minutes, to financial reports).

They use a framework of ten areas under three themes (leadership, strategy and delivery), with defined criteria, against the context of goals of the organisation and its performance.

- 2. Report.** A report is drafted, which includes an executive summary and conclusion, assessments on a one to four scale for each of the ten capability areas, and detailed commentary on each area. The four potential markings are: outstanding capability for future delivery; identified capability gaps and already making improvements; weaknesses in capability; significant weaknesses in capability for current and future delivery which require urgent action.
- 3. Response.** The organisation being reviewed produces a response, making practical commitments to address key issues. This is followed by meetings with the Cabinet Office and review team to discuss the findings and the action plan for improvement.
- 4. Stocktake.** After a year, two members of the original review team meet the senior leadership of the reviewed organisation and discuss progress, followed by a meeting with the Cabinet Secretary and the reviewed department's Board.
- 5. Re-review.** After two years, the process is repeated and progress reported.

An example of specific criteria for assessment: leadership to ignite passion, pace and drive

Each of the three themes in the assessment (Leadership, Strategy and Delivery) has three or four capability areas. Each of these capability areas has explicit criteria for the reviewers to use, and the review team gathers evidence to assess the extent to which the criteria are being met.

One example under the 'Leadership' theme is: 'Ignite passion, pace and drive'. The four criteria for this are:

- Do you create and sustain a unifying culture and set of values and behaviours which promote energy, enthusiasm, and pride in the organisation and its vision?
- Are your leadership 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 and outcomes, celebrating achievement and challenging the organisation to improve?

What makes it work?

The keys to success for the Capability Review include:

- The independence of external reviewers who come from a variety of backgrounds, and are all given consistent (light-touch) tools and training
- Clear arms-length governance between Cabinet Office as commissioner of the review and the reviewed organisation
- The transparent publication of results
- The bar being raised with each two-year review so that there is continuing improvement.

Has it succeeded?

Is it seen as perfect? No. The National Audit Office and the Cabinet Office identified ways of improving the process - including ensuring an even closer connection between capability assessment and outcomes (in particular business performance). The details of the framework and the criteria have been improved since the process was started - with more focus on delivery and on value for money. Benchmarking beyond the civil service was also introduced.

Overall, both the National Audit Office and Cabinet Office are certain that, in only a few years, the process has raised overall capability, and given board and executive teams the tools to keep improving in a robust way. About 95% of areas identified as needing urgent development in the first round of Whitehall reviews, had been addressed by the time of the re-review two years later.

In the private sector, boards wishing to hold their executive teams to account for overall capability could adopt similar principles and produce objective reviews (and sustained improvement) that would be entirely complementary to those for financial performance, and delivery against business goals.

Sources

Sources used for this article include: *Capability Reviews - Refreshing the Model of Capability*; *Capability Reviews: an Overview of Progress and Next Steps*; *Assessment of the Capability Review Programme* (National Audit Office), *An International Comparison of the United Kingdom's Public Administration* (Accenture for the National Audit Office), plus all the core material available on the UK Government Cabinet Office public website.