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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 a business. But, despite the vast time and money spent on balanced scorecards, objective-setting and performance management, many CEOs and boards do not have a clear view of the overall capability of the organisation.

Perhaps surprisingly, a very useful example of how this can be achieved comes from the UK public sector. In 2005, the Cabinet Office introduced a *Capability Review* process, to produce evidence-based, objective reports on the organisation capability of Whitehall departments, with clear scores that allows progress to be tracked every two years. In 2012, it was announced that, having achieved strong progress, the Capability Review was being replaced by new Department Improvement Plans 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.

The Capability Review is a straightforward, but thorough, five stage process

- 1. Review:** A team of three external reviewers conduct challenging interviews with leaders and external stakeholders and look at relevant material. They use a framework of ten areas under three themes (leadership, strategy and delivery), with defined criteria, against the context of goals and performance
- 2. Report:** A report is drafted, with an executive summary and conclusion, assessments on a one to four scale for each of the ten capability areas, and detailed commentary
- 3. Response:** The organisation being reviewed produces a response, with commitments to address key issues. This is followed by meetings with the Cabinet Office and review team to agree an action plan
- 4. Stocktake:** After a year, two members of the original review team meet the board 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.

The apparent keys to success

- The independence and seniority of external reviewers who are from a variety of backgrounds
- Arms-length governance between Cabinet Office as commissioner and the reviewed organisation
- The transparent publication of results.

Has it succeeded?

The National Audit Office confirmed that the reviews have had a clear and positive impact. In particular, boards and executive teams have tackled and improved their overall leadership and capability in a much more deliberate and systematic way, addressing key weaknesses. About 95% of areas identified in the first reviews as needing urgent development had been addressed within two years. Is it perfect? No. There will now be an even closer connection between capability assessment and outcomes, and more focus on delivering value when the next version comes out in 2014.

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) entirely complementary to those for financial and business performance.