

# Transforming Whitehall One Year On

The challenges of departmental reform in Whitehall

Jonathan Pearson, James Page  
and Julian Traficante



# Contents

Contents.....	2
About the authors.....	3
Acknowledgements .....	3
Executive summary.....	4
Introduction .....	5
Setting a positive but credible direction .....	9
Establishing a strategy for change.....	12
Developing corporate leadership .....	14
Building in the politics.....	16
Providing effective governance and decision making .....	18
Managing relationships across government .....	19
Engaging staff .....	21
Prioritising change.....	24
Building change into the department .....	25
Conclusion .....	26

## About the authors

**Jonathan Pearson** is a Researcher at the Institute focusing on transformational change in Whitehall. He was previously a Thouron Scholar at the University of Pennsylvania and has experience in journalism, publishing and the asset management industry.

**James Page** is a Programme Director at the Institute, leading the organisation's work on transformational change in Whitehall departments. He previously worked in consulting at PriceWaterhouseCoopers and GHK Consulting and before that in the former Department for Education and Skills Innovation Unit and Demos.

**Julian Traficante** joined the Institute in October 2013. His research covers transformation and reform in the Civil Service. Prior to this, he worked in the Government of Ontario. He holds an MSc in International Relations from the London School of Economics (LSE) and an undergraduate degree in Political Studies from Queen's University, Canada.

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Any errors, omissions or inaccuracies are the responsibility of the authors alone.

# Executive summary

The reforms that have taken place across Whitehall since 2010 are unparalleled in their scope and scale. Departments have been tasked with finding large savings of between 33% and 50% while simultaneously delivering business as usual. As a result, in addition to downsizing, some departments have also investigated new ways of working and undertaken extensive restructuring. Some departments are now simply smaller, while others are both smaller and considerably different to the organisation which existed previously.

Drawing on insights from departments across Whitehall, this report considers the challenges that leaders have faced while implementing these changes. It outlines the different approaches departments have taken to tackling these challenges and highlights areas where departments have made progress and areas where they have shared problems. The report is structured according to the nine features of leading and managing successful change that we identified in *Transforming Whitehall* (2012).

1. **Setting a positive but credible direction:** Staff frequently understand the vision for their department at a high level, while being unclear on what it means for them and their work in practical terms. Even if senior managers have a clear vision for change, it is often not clearly communicated down to more junior staff in the department.
2. **Establishing a strategy for change:** Leaders face difficult trade-offs over the pace of change and whether to adopt a centralised or decentralised approach to implementation. These decisions affect the sense of “ownership” staff feel they have over change, and how easily different elements of change programmes appear to join up across the department.
3. **Developing corporate leadership:** Change programmes require individual energy and drive at the outset, but their sustainability and effectiveness depends on how successfully departments transition to collective ownership of change. Even in departments with established corporate leadership at the top, it remains a challenge to extend it down – particularly to deputy directors and below.
4. **Building in the politics:** Senior leaders in departments face the challenge of effectively supporting ministers to achieve their policy priorities, while keeping the ‘bargain’ with staff that reductions in headcount will mean more effective prioritisation of resources.
5. **Providing effective governance and decision making:** Departments struggle to design governance structures for their change programmes that enable effective decision making, provide oversight and assurance, and also provide transparency on where and how decisions are made.
6. **Managing relations across government:** Across departments, internal reform is not easily linked to the corporate reform of the Civil Service. It is difficult to build momentum behind corporate reforms that do not easily relate to the department’s priorities. Sometimes, internal reform also comes at the expense of a department’s external relationships and its energy for engagement with stakeholders.
7. **Engaging staff:** The manner in which change programmes are designed and implemented – in particular how reductions in staff are managed – greatly affects staff engagement and morale. Departments have struggled to engage managers in the process of change. This has had a negative impact on the effectiveness of communication about change to staff at lower levels.
8. **Prioritising change:** Some departments are split on issues like the appropriate level of resource and the best staff to support change. Virtually all departments struggle to engage corporate functions effectively in strategic decision making and in supporting staff to work in new ways.
9. **Building change into the department:** It is tempting to suggest that change is ‘over’ once the structural elements are complete. But this makes it difficult to focus on embedding new behaviour and culture change, on planning ahead for 2015 or on any further downsizing and change required.

# Introduction

Since the 2010 Spending Review, departments across Whitehall have been engaged in an extended period of organisational change. All departments have been affected by the need to make savings and find efficiencies to meet the demands of their individual spending review settlements – including administrative savings of between 33% and 50%. At one end of the spectrum, this has consisted of extensive restructuring and downsizing or a re-evaluation of their fundamental ways of working. At the other, many departments have taken to salami slicing, reducing headcount and non-pay costs but trying to change ways of working as little as possible.

From one end of the spectrum to another, departments have moved on different aspects of change at different speeds to achieve different targets. The path chosen by individual departments has been determined by their specific context as much as by the external drivers of austerity and public service reform. Within this hive of activity, there are many notable examples of success. The Ministry of Defence has managed to close an £36 billion budgetary ‘black hole’, while implementing the 2010 Strategic Defence and Security Review and making comprehensive changes to the department’s operating model outlined in Lord Levene’s report on Defence Reform.<sup>1</sup> Similarly, the Department for Culture, Media and Sport (DCMS) began implementing a 50% cut to the department’s budget while successfully delivering the 2012 London Olympics. DCMS has now moved into a building with HMRC to reduce estate costs. Similarly, in 2014 the Department for Communities and Local Government will begin sharing office space with the Home Office. Several cross-civil service initiatives have attracted plaudits, notably the recently established Government Digital Service and the Major Projects Leadership Academy.

How departments have chosen to approach change and their individual experience of implementing reform is shaped by multiple factors including: variations in the size and structural complexity of the department and its component parts; the coherence and clarity of the department’s mission; their political context and accompanying delivery and external pressures; and their individual point of departure. An example of departmental reform, a cross-civil service initiative and a strategy for driving culture change during periods of transformation are outlined in more detail below.

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<sup>1</sup> Levene, P., Allen, D., Conway, B., Day, J., Grimstone, G., Houghton, N., Iacobescu, G., McKeeve, R., & Noakes, S., *Defence Reform*, Gov.UK website, 2011. Retrieved 31 January 2014 from [www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/27408/defence\\_reform\\_report\\_struct\\_mgt\\_mod\\_27june2011.pdf](http://www.gov.uk/government/uploads/system/uploads/attachment_data/file/27408/defence_reform_report_struct_mgt_mod_27june2011.pdf)

## The Department for Education Review

In 2012 the Permanent Secretary at the Department for Education commissioned a review to address weaknesses in the department; respond to increasing financial pressures; consider how the department should be organised; and contribute to the overall civil service reform agenda. Produced with the support of Bain and Company, the Department for Education Review was published in November 2012.<sup>2</sup>

The Review built on major changes which had taken place since the 2010 election. The department had closed 11 non-departmental public bodies and established four new executive agencies, which were later consolidated into three, while shifting its focus to support the expansion of the academies programme and the introduction of free schools.

Among the headline goals were a 50% reduction in the department's administrative budget by 2015; the introduction of flexible working across the department and consolidation of the department's estate from 12 to six sites. The savings goals outlined are expected to equate to a headcount reduction of approximately 1,000 staff by May 2015.

The department also introduced five 'policy tests' to support better policymaking and has begun 'termly' meetings with ministers to review priorities and ensure resources match them.<sup>3</sup>

## One HMG Overseas

One HMG Overseas is a reform initiative shared between eight arms of the UK government which have a presence abroad. It aims to deliver efficiencies by encouraging departments to join up across areas of shared responsibility and shared need, allowing them to achieve greater impact by focusing on their core mission.

As part of the initiative, departments are consolidating their corporate service functions. The ultimate aim is to have one corporate services team in each overseas post to provide support across groups of departments. The initiative is also encouraging staff to collaborate on matters of shared policy interest to achieve the best outcomes for their individual departments and for HMG overall. To support this, departments abroad will move towards co-location in the same premises if possible.

The departments involved in One HMG Overseas have begun harmonising terms and conditions for staff serving abroad. They are working together to identify other areas where further efficiencies might be made by harmonising policies.

<sup>2</sup> Department for Education, *The Department for Education Review*, Gov.UK website, 2012, Retrieved 31 January 2014 from [https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/181076/dfe\\_review\\_report.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/181076/dfe_review_report.pdf)

<sup>3</sup> Barcoe, N., & White, H., 'The Policy Tests: Transforming policy in the Department for Education', *Civil Service Quarterly Blog*, Gov.UK, 2013. Retrieved 31 January 2014 from <https://quarterly.blog.gov.uk/2013/07/12/the-policy-tests-transforming-policy-in-the-department-for-education/>

## The DWP Story

DWP is the largest department in Whitehall, delivering critical services to around 22 million people. The spending round in 2010 set demanding targets for cost reduction in the department, including a further 25% reduction in the operations baseline. Three years on, the department is operating on a baseline budget £2billion lower than 2009-10 (a cumulative real saving of £7.5 billion), with some key performance indicators radically improved including an increase from 51% to 85% in the proportion of JSA claims made online.

The department framed the culture change necessary to help deliver lower cost and higher performance as 'One DWP'. A key aspect of 'One DWP' is the 'DWP Story' which has three interlinked themes: "what we do matters for millions of people"; "we have a huge daily operation, a massive welfare reform agenda, all in an age of austerity"; "and to achieve this, we need to become an extraordinary department working as 'One DWP', with great leaders at every level encouraging ideas, innovation and collaborative working."

To support the 'DWP Story' the department has invested heavily in face-to-face conversations between its 50 most senior leaders and 6000 frontline leaders. These sessions are intended to: reinforce the story; supplement knowledge and understanding of the department's latest achievements and challenges; generate ideas for improvement; and – critically – provide an opportunity to reflect on good leadership. In turn, this key group of leaders is encouraged to pass on knowledge and create the climate in which their own staff work across organisational boundaries to improve the department and the services it provides. Not only does the department believe this has led to improvements in performance, but DWP's staff engagement has also risen from 44% to 54% in two years.

## Our research

Since 2009, the Institute for Government has worked as a critical friend to senior leaders across Whitehall to provide support and feedback on the progress of the transformation programmes in their departments. In this capacity, the Institute supports leaders to strategically reflect how well placed their departments are to achieve the aims of their transformation programme. As an impartial observer, we do not put forward views on what the size, structure or aims of individual departments should be. However, we do offer suggestions for areas for focus based on reflections from staff and leadership on the challenges to, and enablers of, change in the department. Our insight extends across all 17 departments. However we have also conducted multiple rounds of in-depth evaluations with a core group of departments. While the majority of these remain private, we have published work on the Ministry of Justice and most recently the Department for Education.<sup>4</sup>

Building on work with individual departments, the Institute produced *Transforming Whitehall Departments* (2012), in which we identified nine features for leading and managing change effectively. Taken together, the Institute's work on transformational change in Whitehall departments has comprised of nearly 300 interviews with senior civil servants (SCS); 30 focus groups with over 200 non-SCS staff; interviews with 40 departmental stakeholders; and over 300 survey responses from staff within departments.

In the course of this work, the Institute has built up a unique evidence base on the challenges of implementing change; the choices and trade-offs that departments face; their consequences; and the tools and techniques departments have used to mitigate these.

The aim of this paper is to provide insight into the nature of these challenges and to highlight areas of shared success and difficulty across Whitehall. These are detailed below, categorised according to the nine features of leading and managing successful change that we identified in *Transforming Whitehall*.

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<sup>4</sup> For more information on the Institute's work on transformational change and additional publications, see <http://www.instituteforgovernment.org.uk/our-work/more-effective-whitehall/transforming-whitehall>

# Setting a positive but credible direction

It is vital to develop a credible vision of the future and communicate it to staff in a positive and authentic way.

If a department's change programme is to succeed, staff need to understand the vision for their department at both a high level and in practical terms. Uncertainty about what a vision means for staff, for their area and for their work, is a strong cause of anxiety among staff and can frustrate the progress of a change programme.

With few exceptions, departments have struggled to articulate a vision which paints a positive and credible vision of the future. This was particularly common during the early stages of their change programmes, when many found it difficult to portray 'change' convincingly as anything other than a negative narrative of cuts. Since then, departments have generally improved at presenting a positive vision of the future to staff. However change leaders have had limited success in developing this positive narrative into something which staff accept as realistic and achievable.

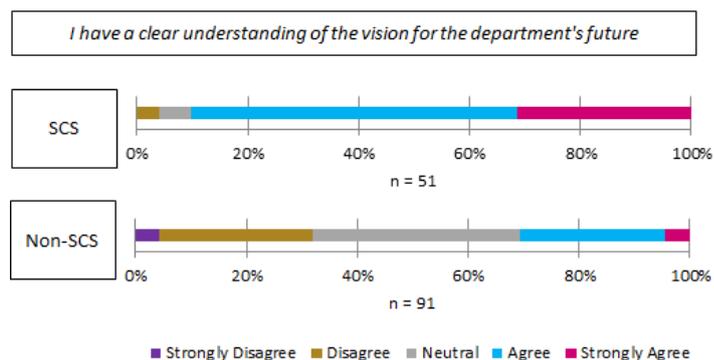
Individual parts are clear but it doesn't make one clear vision.

## Civil servant

I don't think we have a joined up narrative yet about where the department is going to be in two or three years' time.

## Senior civil servant

Senior staff tend to have a better understanding of the vision than more junior grades do. Across three departments which were more than a year into their change programmes, 90% of the SCS surveyed said they had a clear understanding of the vision for their department. This compared with only 31% of non-SCS who were asked the same question. Within this group 32% remained unclear about the vision while 37% were undecided.



Even in departments where the long-term vision is seen as clear and credible, translating it from an abstract theory into something tangible remains a challenge. One mid-sized policy department enjoyed notably strong buy-in for its vision among junior staff. It did so by setting out a compelling goal for the department – while being honest about areas that needed to improve and necessary reductions in headcount. The vision was seen as the right mix of aspirational and credible. Nevertheless, the department struggled to convey a concrete understanding of how day-to-day work would be impacted by the changes. This made it hard for non-SCS to know how to engage with the change programme or

act differently. Senior leaders subsequently attempted to address this by engaging directly with groups of junior staff on the future direction of the department and their roles within it.

Effective communication with staff is a key aspect of the challenge outlined above. The quality of communications varies across Whitehall. Some departments are suffering from alienated and disengaged staff as a result of poor communication. Others have enjoyed more success in communicating a vision, which is accepted and understood by staff. Across the departments that we have worked with closely, we have observed two important lessons about communicating the vision and direction of a department to staff.

First, communications around the vision and purpose of a department can feel forced, inauthentic and ungrounded. This leaves staff reluctant to buy into a set of values or vision that they feel could change at any time. After a period of painful downsizing and restructuring, staff in a medium-sized policy department reported experiencing ‘vision fatigue’ – a result of being overloaded by different initiatives and constantly changing messages. Midway through the change programme, staff in focus groups largely felt that the vision was only ‘partially clear’. One year later, there was greater polarisation of opinion. The two groups of staff who stated the vision was ‘not at all clear’ increased, as did the proportion stating the vision was ‘very clear’. The proportion of those who stated the vision was ‘partially clear’, had declined.

This division had a detrimental effect on morale and created confusion about the department’s true vision. Many in the department felt senior leaders were not prepared to meaningfully engage with staff, and that communication about change was out of touch with the way staff felt.

By contrast, a large department experiencing major change developed a single brand for their portfolio of change programmes. This was anchored by a single, simple vision which applied across the department’s work streams. Despite subsequent adjustments to the programme’s work streams, the brand and the top-level vision were consistently maintained. This provided staff with a consistent anchor and language for communications about change.

Using a specific brand to anchor a top-level vision can be extremely effective. However there is a risk that staff will reject brands they perceive as inapplicable to their individual areas of work. Another large department adopted a single high-level brand to cover the entirety of its change programme, but found staff unwilling to subscribe to a vision that they did not feel applied to their work. If a department intends to use a single brand for its vision, it must first ensure that the brand will connect with staff.

There is no change of the message, but there is a rebranding and refinement of the message, to make sure people here will get it and will buy into it.

### **Senior civil servant**

Second, there can be no let-up in the quality of communications. In one small policy department, staff felt communications around the future had ‘stalled’ following a painful period of restructuring and ministerial turnover. This left many staff with a limited understanding of where the department was going and how the senior leadership intended to get it there. Staff felt disconnected having initially been consulted and engaged in the department’s future direction.

In the early phases of change in another policy department, staff felt the vision had been developed in a firmly “one way” direction. Managers in particular felt disempowered by being “handed” a vision which they had not been engaged in creating. They were subsequently slow to cascade messages about the future to their teams. This compounded the challenge of communicating the vision to junior grades of staff.

Several departments have experienced this problem. Even if senior leaders have a clear and mutually-accepted idea of the vision for change, it is not been clearly communicated to, or received by, staff. This problem is prevalent where more junior staff find it difficult to articulate the core purpose of their department even before the change programme is launched. Staff in two policy departments said they

struggled with this problem at all points on their change curve. Some departments have succeeded in mitigating this by engaging with their staff to produce a narrative about the department's role in society. These departmental 'stories' were produced in conjunction with staff from across the department, with widespread consultation and subsequent testing of messages.

# Establishing a strategy for change

Strategies for change must be designed to match the individual circumstances of the department. It is important to make the right decision about the 'pace' and to work out how to tackle the 'tough' aspects of change, while maintaining staff engagement and communicating about the process to staff.

Developing a strategy which best matches the circumstances of the department is a challenge which leaders must address early in the change process. Some departments have been confined to particular choices of strategy due to pressures on time or the need to implement policies rapidly. Others were less constrained in deciding how best to approach change. There is also a 'cultural' element to the paths that departments choose. Selecting a course of action that is culturally in keeping with the way the department traditionally functions can pay dividends. But leaders must consider whether the decision is based on a conscious expectation that implementing change in this fashion will prove more effective than other options, rather than an unconscious expectation that the cultural default will be sufficient.

Departments face two trade-offs. Firstly, leaders must choose where to sit on the spectrum between driving change exclusively from the centre and adopting a decentralised approach. We have observed that, with some exceptions, departments have broadly taken a decentralised approach to change. Secondly, they must decide how swiftly to introduce staff exit schemes and whether to tackle non-pay costs and restructuring before disseminating their vision, or take the time to embed the vision first. Departments are evenly split here. Some moved rapidly to making large reductions within months of the Spending Review, while others focused on vision and strategy upfront.

A decentralised approach – where individual areas are left to implement aspects of the change programme – can build a sense of engagement as teams interpret 'change' for themselves. A medium-sized policy department chose to drive change in a highly-decentralised fashion. Staff saw this as the right decision because it fitted the way the department worked and promoted ownership of change within directorates and teams. Still, this strategy did have drawbacks. While staff could confidently state what their area would look like post-transformation, it was less clear how changes across the department added up to the overall vision. Staff welcomed the opportunity to design and implement 'local practice'. However, there were concerns about how to reconcile multiple ways of working and whether certain practices should be consistent across the department. A smaller department with a powerfully articulated vision decided to allow team leaders across the department "interpret" change for their own areas. While acknowledging the loss of central control this caused, overall it was seen as being the correct choice for the department at that point in time and as creating positive prospects for sustainable change.

The way change works, you might need a combination of some fairly interventionist stuff that makes rapid improvements, but that won't be the whole answer.

## Senior civil servant

At the opposite end, a handful of departments have created a high-profile 'director-general' or 'director' post with a large, well-resourced central team to guide the change programme. This has allowed leaders to choose which elements of change should be consistent across the department. And it has provided the means to support and challenge the implementation of these across the department. However, driving change from the centre can also lead to a reduced sense of ownership. It places a heavy burden on senior leaders to communicate a shared view of the required changes, which can then be driven down the line. One department which established a centrally-driven change programme had trouble cascading messages from the centre, because its leadership team did not consistently

communicate as one. In addition, the department had a layer of managers and team leaders who felt disempowered by the centralisation of the change process, and were reluctant to communicate messages about change to their staff.

Balancing local ownership while prioritising areas of common concern can be a particular challenge for large departments. Midway through a major transformation initiative, one large department was struggling to articulate why what was “best” for the department overall was also “best” for individual areas. Senior leaders were divided on the issue themselves. This hampered the effective implementation of change and served to reinforce existing silos. The problem persisted even a year later, as senior leaders were still divided about what the change programme required each area to do on a shared basis.

Choosing to take action before fully establishing a vision has clear consequences which must be managed by departments. In one medium-sized department, the senior leadership team decided to quickly implement staff exits without consulting staff about design, or even presenting them with a vision of the future shape of the department. This undermined their credibility and greatly reduced staff confidence in the change process. Moving swiftly through the change process without a clear vision can create the perception that change is being ‘done to’ the department by its leadership, rather than there being a joint effort between staff and leadership to transform.

However, for some departments the pace of their restructuring can serve to emphasise that change is ‘real’. This is often in contrast to previous change initiatives that have come and gone and adds to the sense of urgency around change. Moving swiftly through the challenging aspects of change – such as staff selection exercises or site closures – can be effective. However, given that these processes create understandable anxiety and uncertainty for staff, they may only acknowledge this once the dust has settled.

I was surprised at how fast it happened, but if it had to happen I would prefer it to happen that way.

#### **Civil servant**

I did hear some people say, ‘We’ve seen all these come and go, we just wait for them to pass over’. So it was really important that we did move quickly and then we did move very swiftly to implementation.

#### **Senior civil servant**

One department undertook a wide-ranging and extensive staff selection process. Following the restructuring, staff acknowledged that the painful process of rapid downsizing had, in retrospect, been the right decision for the department and had brought much-needed credibility to the change process. A department of equivalent size experienced a similar bounce-back, with staff agreeing that the pace of the process – which in this case was underpinned by a strong vision – had served to set it apart from previous change initiatives that had not secured traction within the department.

# Developing corporate leadership

Corporate leadership means leading on behalf of the department across its constituent elements; communicating jointly about the future to staff; and providing consistency about what is valued and recognised.

Personal leadership of change by a senior figure can be essential to provide early momentum for organisational change. However, if change is to embed in the department, broader ownership is required. We have observed that change programmes can quickly become associated with particular individuals rather than being collectively owned by senior management. Their sustainability depends on the effective transition of change to corporate ownership at a senior level, and subsequently more widely across the department.

In my private sector role change has to start burning in the heart of one person at the top of the organisation. It has to be led by someone very senior with a lot of credibility who can galvanise the team around them and bind the team in so the team becomes an advocate.

## Non-executive director

The weakest change programmes tend to be those where organisations lack the ability to lead across silos and take strategic decisions about the future of the organisation in its entirety. This is almost always because of weak corporate leadership. In the worst examples it leads to ‘blanket’ cuts across silos, with no strategic approach to resources or priorities, and little collective consideration of strategy, common culture or capability problems.

On the whole, departments have been on a positive trajectory from a low base of predominantly siloed leadership. Many have experienced a visible improvement in their corporate leadership over the course of their change programmes. In some cases existing teams are now working more tightly together; in others this has required significant turnover in personnel. As one director reflected, “If you can’t change people, sometimes you have to change the people.” Still, some departments continue to struggle with culturally engrained leadership silos and are not used to communicating jointly as a team.

Rather than have very difficult bilateral discussions, it has to be a proper collective discussion about what are the priorities for the organisation.

## Senior civil servant

The change programme in a medium-sized department was directly associated with the permanent secretary from the outset, with limited corporate involvement from the rest of senior management. Staff expressed particular concern that there were no other visible leaders of change among the director and deputy director groups. There were concerns about how serious and committed the leadership were to successfully transforming the department. One year later, the department had experienced a significant improvement in the corporate ownership of change. This had come from targeted and explicit efforts to engage with directors and other senior leaders about their concerns, and to incentivise these leaders to present consistent communications about change to their staff. While some problems persisted, the emergence of visible corporate behaviour demonstrated the commitment to change which staff had been anxious to see.

In one large department, despite individual leaders being seen by their staff as effectively driving change in their areas, there were concerns from both the staff and leaders themselves that they were not connected to a department-wide leadership team. This raised fears that transformation was being driven without sufficient integration between different areas of the department. Within the department’s

leadership group, staff and other leaders saw several senior members as openly competing with one another and delivering inconsistent, conflicting messages about change. Non-SCS staff, who participated in focus groups at different points in the change programme, consistently identified corporate leadership' and 'addressing leadership behaviour' as key challenges for the department. Following a change in certain key leadership positions, the department is now moving in a more united direction.

We do have one or two leaders who are good at driving change, but as a collective, I think they're fairly tribal.

### **Civil servant**

In one department – which had traditionally been heavily siloed and where tribal leadership was seen as the cultural norm – staff perceived the leadership as reluctant to have open and challenging discussions with one another, and with staff, about the department's strategic direction. As a consequence, change leaders had to spend the initial phase of the change programme aligning the senior leadership team behind one united vision or set of values for the department.

Even where there is established or fledgling corporate leadership at a high level, cascading it down has been a major challenge for all the departments we have observed. In most departments, SCS typically have a clearer idea of the vision for the department's future and buy into the process more. A critical aspect of a department's change programme is building 'coalitions for change', where leaders across the department help each other communicate about change within their teams and embed new ways of working. Several departments have managed to successfully build these coalitions at director-level, with a mixed picture underneath that. Even several years into their change programmes, most departments are struggling to fully engage their deputy-director cadre. Some attribute this to a sense of disempowerment arising from being 'handed' a vision. Some describe a squeeze on capacity and increased workloads as leaving little time for talking about change or otherwise engaging strategically. Others feel that talking about change and acting as a corporate leader was not what was truly valued or rewarded by senior leaders in the organisation, including ministers. This gives them little incentive to behave corporately.

Strong corporate leadership is also not always secure once it has been established and must be periodically refreshed to prevent it from deteriorating. The day-to-day pressures of running a department place a heavy strain on leadership teams and can draw focus away from leading together as a team. The loss of senior leaders in key positions can also be disruptive. In several cases, departments have struggled to re-establish strong corporate leadership following the departures of senior leaders at the top of the department.

## Building in the politics

Leaders need to effectively engage with ministers about using resources to support policy priorities, while being conscious of staff concerns about becoming overloaded. For some departments, change has also been difficult because internal cultures and values have been hard to shift with a change in political direction.

In *Transforming Whitehall* we noted that whatever the level of direct involvement ministers had with the change programmes in their departments, they had a huge influence over the outcome. In the large majority of departments, civil servants have largely been left to get on with implementing change and running the department, while ministers hold the reins on policy decisions. In others, the change agenda has been tightly bound to ministerial priorities and a much more hands-on approach from ministers.

Given the large reductions in capacity, a core challenge for senior leaders in most departments is to work with ministers on prioritising resources. This challenge is even more acute during periods of dramatic change. For many staff across Whitehall, downsizing brings with it an implicit 'bargain' – that reduced headcounts will be accompanied by commensurate reductions in workloads and by more efficient prioritisation of resources. Leaders are also under pressure to show ministers how the change programme in their departments will support their policy priorities and objectives. The challenge for senior leaders, therefore, is to position their departments so that they are able to fulfil their side of the bargain to staff while retaining the flexibility to support their ministers effectively. As departments transition into the 'new normal' of providing 'better for less', there is wide variation in the extent to which they are successfully striking this balance.

Staff in one department spoke of transitioning into a better relationship with their ministers following a difficult period at the beginning of the 2010 parliament. There was a broad consensus that providing better support to ministers was a critical measure of success for the department's change programme. However, staff were not certain how stable the bargain around resources would remain. Many staff worried that activity that had been deprioritised would gradually creep back into their day-to-day workload.

Other departments have had a considerably tougher experience in attempting to balance workloads and ministerial priorities. In one department, junior staff expressed strong criticisms of their senior leaders, who they felt were either unable or unwilling to have challenging discussions with ministers about resourcing and priorities. Those who attended focus groups midway through the change process identified "challenging up" and "having honest discussions about resources with ministers" as their top priorities for senior leaders. One year on, when asked the same question, staff responded in the same fashion. Leaders in the department were seen as too "passive" in their ministerial relationships and ineffective at communicating staff concerns about expanding workloads to ministers. Staff in the department reported a substantial morale problem as a result, with many feeling under-valued and over-worked.

The promise was: 'Don't worry, we're going to cut swathes of work.' Now they still want the same output and level of quality. ... We can't do this with the resources we have.

### Civil servant

I don't feel that we've been empowered to drop anything. If anything, we've been encouraged to pick up more.

### Civil servant

Turnover at ministerial level can also have a strong impact on departmental reform. In two departments, the change programmes were designed to appeal to the priorities and individual styles of incumbent ministers. Following a cabinet reshuffle, however, these agendas failed to resonate with their successors. Both departments were subsequently faced with the additional challenge of rebalancing resources and ways of working to meet new ministerial priorities, while maintaining a consistent narrative for change with staff. Tailoring change programmes to suit the styles of individual ministers can help get traction, but it can also amplify their vulnerability to political changes.

Ministerial turnover can also provoke questions about the values and role of a department. A new secretary of state, even within the same government, may bring a new set of priorities or operating model that challenges pre-existing values and ways of working which staff are strongly invested in. The impact of this on relationships with ministers varies from department to department. In one notable outlier, some staff felt that ministerial demands and priorities were at odds with their department's core purpose and values. This caused disengagement with the process of reform and some reluctance to get behind elements of the new political agenda. This problem was only mitigated when changes were made to the executive team in the department, and the new mind-set was driven consistently through the department's work.

# Providing effective governance and decision making

The right governance must be in place to allow effective decision making; provide the correct level of challenge and assurance; take stock of progress through accurate management information; allow staff to clearly see where decisions are made; and reassure them that leaders are responsive to their concerns.

Departments have generally struggled with designing effective governance structures for their change programmes. In several departments, staff – particularly non-SCS – had questions and concerns about the purpose, role and relationships of the bodies responsible for governing change. Staff in several departments questioned whether the bodies responsible for governance and assurance were truly fulfilling those roles, or whether they were simply information-sharing forums with limited powers to hold those responsible for implementation to account. In some cases, these concerns were echoed by the members of these groups, who questioned the clarity of purpose of their programme boards.

This sentiment was particularly prominent in one department which had established several bodies with varying degrees of responsibility for the implementation and governance of change. The remit of these governance structures was unclear to staff, who expressed confusion over the precise decision-making powers of individual bodies. The bodies responsible for oversight were regarded by some as being more focused on information-sharing than on ensuring accountability for the change programme. This had the knock-on effect of making it difficult for leaders to communicate to staff about the progress of change.

Staff are often anxious to hear about the progress of change initiatives. They appreciate honest reflections from senior leaders about where progress has been made and where there is still a distance to travel. Departments have struggled to identify what management information is required to gauge the progress of transformation – beyond headcount and budget numbers. An honest assessment of the progress of transformation is therefore difficult to assemble and subsequently communicate to staff.

*It feels a bit as though we're all skating on thin ice at the moment. I certainly do, in terms of the robustness of the plans.*

## Senior civil servant

Limited visibility around where critical decisions about change are being made is another common feature of staff feedback to leadership about the effectiveness of their department's change process. The overlap, between bodies responsible for governing change and those governing the department as a whole, is often unclear. This leads to uncertainty about how and where to escalate problems and concerns over whether emerging risks will be identified and addressed.

Governance and oversight structures are often considered insufficient for effectively aligning priorities with resources during the process of transformation, giving staff in departments cause for concern about the future. Some departments are not seen to have the right forums to give executive and ministerial leaders the information they need to take informed decisions about priorities, timescales and resources. This exacerbates staff concerns about the 'bargain' and its ability to balance priorities and resources.

# Managing relationships across government

Departments have to deal with broader civil service reform priorities, while maintaining relationships with stakeholders and handling the complexity of delivering internal change.

Now, as ever, Whitehall is fundamentally a federal system, but there are some strong examples of working across departmental boundaries. The 'One HMG Overseas' initiative sees foreign-facing departments joining up around estates, consolidating corporate functions and harmonising certain policies. This has allowed departments to find efficiencies and make savings. Similarly, the National Security Council is a positive example of consolidating policy direction and facilitating top-level strategic decision making across several departments. The Implementation Unit, among other central units, recreates some of the cross-departmental oversight that existed under the former Prime Minister's Delivery Unit. And corporate functions – especially shared services – have become far more closely integrated across some departments.

Nevertheless, the core processes – especially the spending review, and the incentives and accountabilities which drive federalism – remain firmly in place. Right across Whitehall, corporate civil service reform (including but not limited to the *Civil Service Reform Plan*) is playing second fiddle to internal reform. Consciously or otherwise, leaders and staff across Whitehall have prioritised departmental change efforts and have found it challenging to secure staff buy-in for corporate reform. This is partially attributable to the fact that many departments are already overloaded with transformation activity and find it challenging to build momentum behind corporate reforms that do not easily tie in with the priorities for internal transformation. As a result, many staff remain unclear how one set of changes relates to the other.

Because internal change consumes large amounts of resource and time, staff feel that much of the *Civil Service Reform Plan* has either “passed them by”, or been implemented as part of an internal effort that was already underway. Staff in one department acknowledged that some elements of the *Civil Service Reform Plan* were being implemented in the department, but with no clear or systemic link to the department's stated priorities for reform. Consequently, staff were unclear about how cross-civil service reforms directly impacted them and their work. In a different department, senior leaders decided to subsume the most “useful” elements of the *Civil Service Reform Plan* under the department's established change programme, to increase buy-in for the reforms and to expedite their implementation. This worked, but those elements of the *Civil Service Reform Plan* that did not easily fit into the department's programme were largely de-prioritised, which has resulted in a mixed picture for cross-civil service reforms.

Internal reform may also take its toll on a department's relationships across Whitehall and its stakeholders. During the course of transformation in one medium-sized policy department its stakeholders believed the department's authority had diminished across Whitehall and its relationships with the sector weakened. While groups in the sector acknowledged that the department had successfully implemented a major series of changes, they were anxious to learn how the department would continue to represent them across Whitehall while also serving as a thought-leader for the sector. As the change programme continued to advance, these groups were looking to the department to provide assurance through a clearly stated strategic direction for stakeholder engagement.

Our practices have changed and stakeholders have not been told. The approach has been “we haven’t communicated it yet, but no-one has complained.

### **Civil servant**

These concerns are also reflected internally within departments. In two departments with extensive stakeholder responsibilities, staff were concerned that major elements of their change programmes had not been designed with effective stakeholder engagement in mind. They identified several risks to relationships with stakeholders, including poor knowledge management; the adoption of flexible working; and the impact of staff leaving and joining the department.

While staff felt that new ways of working could prove effective internally, they also worried that the departments were becoming unresponsive to developments in their sector. One department that explicitly chose not to engage its stakeholders at the outset of its change programme is now managing the consequences of that decision. Those responsible for managing relations with stakeholders felt unable to communicate how the relationship has changed or what its future could look like. Clarifying the nature of their relationships with stakeholders, and their role in the sector post-transformation, clearly remains a challenge for several departments.

# Engaging staff

Maintaining staff engagement during difficult periods – and being responsive to their concerns about the future – helps to secure their buy-in for change.

Staff engagement during periods of change has been partially addressed under the other features of leading and managing change covered in this report. However, several key aspects of the challenge have been not covered elsewhere: managing reductions in staff; staff recruitment and retention; and engaging managers.

The process of change inevitably instils some anxiety and uncertainty in organisations and may negatively impact staff engagement. The *Civil Service People Survey*, which measures engagement across the Civil Service, shows that while engagement has been stable in some departments, the impact of change has clearly been felt in others. Some departments have turned the corner on falling engagement through targeting efforts at select groups of staff. However, falling engagement clearly remains a challenge for many departments throughout their change programme.

For departments across Whitehall, it is a challenge to meaningfully engage staff in the process of determining what the future should or could look like. As described above, staff at all levels often feel that they have been handed a vision for the future – by their board or senior leadership – which they lack any ownership over. Two departments have succeeded in engaging staff in shaping the future by selectively targeting staff and gathering their opinions on what sort of department they would like to work for. In other departments, staff are engaged to varied extents, which could in turn have serious consequences for the sustainability of their change programmes.

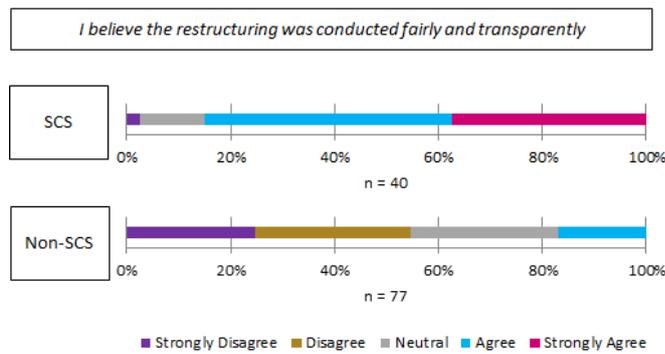
As part of the 2010 Spending Review, Whitehall was charged with making extensive reductions to departmental headcount. The *Civil Service Reform Plan* stated that by 2015 the Civil Service would be 23% smaller than it was in March 2010 and would operate with approximately 380,000 staff. To facilitate this, departments have used both voluntary redundancy and staff selection exercises to reduce headcount and – in some cases – reorganise and restructure the department to reflect smaller staff numbers. The way these processes are conducted has important consequences for staff engagement – both during the process and after. Departments have difficulty maintaining engagement during these periods, because large swathes of staff are left alienated and exhausted by the process itself. Sustaining the engagement of the staff that remain is also a challenge for many departments.

The process over the last two or three years has been so brutal that it has psychologically repositioned people, their attitudes towards the department and the civil service.

## Senior civil servant

Non-SCS in particular may feel powerless during selection and alienated by the process. The two biggest concerns are: how fair and transparent the process is; and how efficiently and effectively it is run.

On the point of fairness and transparency, there is a clear split between SCS, who have greater belief in how robust the department's methods are, and non-SCS who tend to be sceptical. In two policy departments of comparable size, 85% of the SCS surveyed "agreed" or "strongly agreed" that selection exercises in the department had been conducted fairly and transparently. By contrast, 84% of non-SCS answered negatively, with not a single respondent replying "strongly agree".



These results are driven by the sense that selection processes were either poorly managed; that the incorrect outcomes were reached; or, in some instances, both. Staff frequently cited the same examples of poor practice across departments. Many felt that managers had been unable to reassure their team about the next steps in the process, which created enormous anxiety. In two departments in particular, staff felt that the criteria for selection were unclear, with managers again unable to reassure their teams about the correct way to approach the process.

Across the departments the Institute has worked with, there was a mixed picture of how favourably staff perceived the outcomes of selection exercises. In one policy department, both SCS and non-SCS generally felt that the right people had been managed out of the organisation, with some exceptions. However, in two departments which ran similar exercises, there was considerably less certainty about whether the department had retained the right staff.

The scope of selection across a department also has serious consequences for staff engagement and morale. Several departments did not find it necessary to conduct universal selection either for business reasons or because of the natural loss of staff in some areas. However, this had adverse consequences for staff engagement. As the process was conducted, staff described an extreme sense of unfairness and a corresponding drop in morale, even in areas that were not undergoing selection. For leaders, this is predominantly a communication challenge. In one department, the business case for not conducting a universal selection exercise was clear to SCS, who generally regarded it as the right decision for the department. However, their rationale had not been made clear to staff. This generated fears about the decision making that had informed selection planning, and so reduced confidence in the process. Alerting staff to the possibility of universal selection then subsequently retracting it, as happened in one department, had a comparable impact on staff confidence in the processes.

Following selection, departments which had not conducted universal selection exercises found it difficult to show remaining staff that they were valued, or that they possessed the right skills and capabilities to thrive in the new department. These staff found it difficult to reconcile the assurances of their leaders with the fact that other areas of the department had not experienced selection. Many questioned how those areas had been prepared to function in different ways, if not through selection.

Showing remaining staff that they are valued is a key area for focus for departments if they are to retain staff. Staff who do not feel valued will often seek opportunities in the private sector, particularly as the economy improves and public sector pay remains constrained while workloads remain the same or increase. The perception that departments do not value their staff, or the impression that a particular department has a morale problem, also impacts recruitment as much as retention. Several departments cut below what was required of them to recruit new staff into the department. This can be positive for the department because new talent is brought in. But it can also be risky as departments may struggle to replace those who left during periods of uncertainty.

*We're haemorrhaging good people. You can't keep them, they go.*

**Senior civil servant**

A key success measure during departmental change is the extent to which departments engage key groups of managers – who then feel trusted and empowered by senior leaders to implement changes in their area. Across three departments that were several years into their change programmes, we found wide variation in how empowered managers felt. In one medium-sized policy department, staff below deputy director-level felt that they were not being provided with the tools necessary for their teams to realise the vision for the department. However, this group broadly bought into the vision for the department and were simply anxious to be allowed to get on with it. The Grade 6 and 7 cadres from another medium-sized policy department identified the need for senior leaders to demonstrate that they trusted and valued this group as a key action for the department. In a large department undergoing a major transformation, deputy directors felt that they lacked support to implement change while doing their day jobs. Many observed that a ‘culture of blame’ was the usual way in which senior leaders held people to account. Addressing the accompanying sense of disengagement and disempowerment remained a major challenge for the department going forward.

# Prioritising change

Leaders can show that change is a priority by bringing the right capabilities to bear on planning and implementing change; ensuring the right functions are involved in determining the future strategic direction for the department; and providing day-to-day support for change.

To lead and manage change successfully, leaders must be able to demonstrate to staff that they place a high value on change and are strongly invested in the future of the department. Providing the right mix of capability and authority to the teams that are responsible for change sends a clear signal that their work is a high priority.

In this respect, departments vary in their approach. Several appoint to high-profile director-general or director posts, which are supported by teams and structures that have cross-departmental authority. Others create small core teams which operate primarily through influencing others and by drawing in resource as and when it is required. Both methods can be effective depending on the culture of the department and the way it works. Whichever method departments choose, their success requires a clear signal from senior leaders that change is a priority. This can be done by giving change teams the right mix of capabilities and support.

Deploying the correct functions to support change also indicates to departmental staff that change is a priority. A critical test of how ready a department is to transform is to assess the extent to which corporate functions are engaged in determining the department's strategic direction; implementing the change programme; and supporting staff as they adapt to new ways of working.

Several departments have failed to fully engage their business functions to support change programmes and help determine their strategic direction. In many, the capabilities and roles of the corporate centre are important challenges that have yet to be resolved.

In one policy-centred department, the core corporate services were traditionally seen as being disengaged from the business. This led to a mutually reinforcing gap in trust between staff working in policy and those working in corporate functions. The gap grew wider during the process of change. Staff in this department felt they had not been adequately supported by the relevant corporate functions during restructuring. In turn, staff from the department's corporate functions felt that they had not been adequately engaged in planning how to strategically make cuts or in enabling new ways of working.

Generating the right narrative around change – and demonstrating that change is valued by leaders – is partially a communications challenge. On this front, several departments have not made full use of their communications functions in implementing change. This has the consequence of 'devaluing' change in the eyes of staff. And this compounds the difficulty of sustaining their engagement and of subsequently embedding new ways of working.

In one large department, the communications function was preoccupied with tactically responding to ministerial needs and day-to-day fire-fighting. Limited resource was dedicated to generating the right messages about the department's goals and future direction. Consequently, staff were uncertain of the value that senior leaders placed on reform, and whether there was a narrative that connected different elements of change together. Senior leaders have since addressed this problem by directly engaging with staff through town hall events, and by releasing department-wide communications about the change programme. In another department, the internal communications team underpowered to the point where it was unable to take action on simple hygiene factors such as updating department literature. The department has begun to make progress by refreshing the promotional material dealing with change and by making prominent updates to the branding in the department's communal spaces.

# Building change into the department

Change can only be built into the department by embedding new cultures and behaviour; demonstrating that new ways of working will be rewarded; and balancing the need to plan for further changes ahead.

As departments move from periods of change into 'business as usual', they must refocus on the 'softer' elements of change, such as embedding new behaviour among staff and ensuring a long-term shift in organisational culture. These elements of a change programme are often neglected during the early stages, when departments naturally focus on hard-edged elements such as headcount reductions, restructuring and estate closures. Following these, there is an ongoing temptation to suggest that change is 'over' once the structural elements have been completed. On top of this, departments find it hard to energise staff to begin thinking about necessary behavioural and culture changes immediately after tough periods of restructuring.

You can tick the box on paper but it's what ... happens in reality. It needs a culture change.

## Civil servant

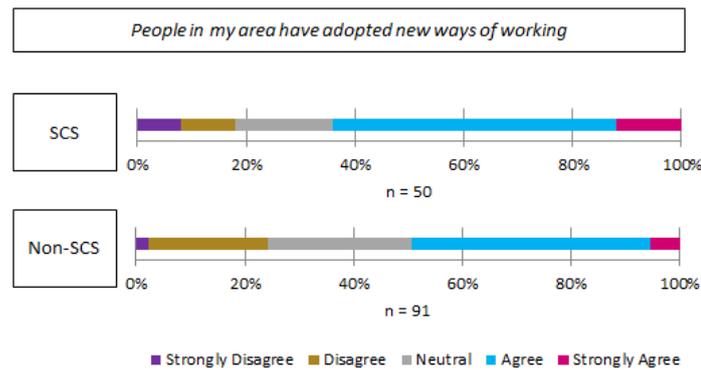
I don't think that the cultural and behavioural side of the transformation programme has really got into people's psyche.

## Senior civil servant

As departments move beyond the most draining elements of change and the demands of business as usual take over, both staff and senior leaders are concerned that necessary behavioural and cultural changes will be side-lined and staff will revert to old habits to cope with everyday pressures. Embedding new behaviour is a key leadership challenge. Senior leaders face the difficult task of showing which new behaviours will be rewarded and encouraged in the transformed department. This means they must be prepared to have honest discussions about what is no longer acceptable and what has changed for the better. The action of leaders themselves is a critical element of this challenge. Staff expect them to demonstrate the desired behaviour themselves. In one large department which was substantially altering its operating model, staff were frustrated by what they perceived to be empty rhetoric after leaders failed to demonstrate and reward the behaviour that they demanded of staff.

Similarly, in departments which have undergone selection exercises, there is an expectation that leaders will justify the pain of downsizing by enforcing higher performance standards among staff. The challenge is to keep the bar high by visibly tackling poor performance and rewarding good behaviour.

In several departments which are coming to the end of their current change programmes, there was cautious optimism at both senior and junior levels that new ways of working were being adopted. Across these three departments, 64% of SCS either "agreed" or "strongly agreed" that new ways of working had been adopted, with 49% of non-SCS stating the same.



However, encouraging and enabling staff to adopt new ways of working is not the only challenge facing departments. While there is a widespread acceptance that further changes driven by future cuts will be required across Whitehall, staff are often anxious to stop talking about change and thinking about the future. The sense of ‘change fatigue’ experienced by staff in some departments – as well as the negative connotations associated with restructuring and selection – partly drives this reluctance to engage with further change initiatives. Having just come through a period of disruption and uncertainty, departments are often hesitant to highlight potential future disruption.

## Conclusion

As the Institute has noted elsewhere, this is a historic period for the Civil Service, with challenging times undoubtedly ahead.<sup>5</sup> While departments have come a long way in tackling the challenges posed by the 2010 Spending Review, many still have some way to go before they successfully transform. With the prospect of further changes looming and the 2015 General Election on the horizon, departments must focus on ensuring the changes they have already made are resilient to potential shocks. They must do this while remaining flexible and adaptable to changing priorities. The quality of leadership in departments will largely determine how well they manage to strike this balance.

In the run-up to the election, the Institute will be continuing to support leaders of change across Whitehall and to examine the success factors which influence cross-civil service reforms.<sup>6</sup>

<sup>5</sup> Page, J., Pearson, J., Traficante, J., Thomas P., Panchamia, N. *Leading Change in the Civil Service* Institute for Government, 2014

<sup>6</sup> Panchamia, N., Thomas, P. *Civil Service Reform In the Real World* Institute for Government, 2014



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2 Carlton Gardens

London

SW1Y 5AA

Tel: +44 (0) 20 7747 0400

Fax: +44 (0) 20 7766 0700

Email: [enquiries@instituteforgovernment.org.uk](mailto:enquiries@instituteforgovernment.org.uk)

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