AUDITOR GENERAL

PERFORMANCE AUDIT

SELF-ASSESSMENT HANDBOOK

Managing People in the NHS in Scotland

Part 1. Self-assessment guidance

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JANUARY 2001

Chapter 1. Introduction

1.1 Importance of people and partnership in the NHS in Scotland (NHSiS)

The Health Plan *Our National Health - a plan for action, a plan for change*[1] makes it clear that the NHSiS is committed to building a modernisation programme to provide high quality patient care and improving the working lives of all NHS staff. In terms of patient care, it draws attention to the need to look at each service from the patient's point of view and to ensure that a patient focus is embedded in the culture. In order to achieve this, new and better ways of working are required through, for example:

- investing in the workforce in terms of more staff and better training
- giving frontline staff responsibility, freedom, skills and resources to do a better job, using their initiative for local innovation within national standards
- reducing bureaucracy whilst increasing accountability so that there are clear and transparent processes for holding the NHSiS to account for their delivery of services
- requiring staff to work effectively in teams, for example, through managed clinical networks
- working in partnership with staff and involving them through representation on the new unified Health Boards.

The Health Plan builds on the Human Resources Strategy *Towards a New Way of Working*[2] which seeks to achieve change through substantive partnerships with staff, managers, trade unions, patients and other relevant organisations at national and local levels. The strategy is underpinned by good practice guidelines on a range of management issues which are being developed by the Partnership Information Network (PIN) Board, in alignment with other relevant strategies such as "Integrated Workforce Planning" and "Learning Together". Those involved need to be assured that these policies and strategies are actually being delivered on the ground. The materials in this pack are designed to help provide that assurance.

Although many organisations, public and private sector alike, commonly use phrases such as *"our people are our greatest asset"* these have become almost a cliché, with the importance of the organisation's people devalued. Nevertheless, the NHSiS is critically dependent on its employees for delivering the strategic and operational goals at corporate, departmental / functional and team levels. Managing people efficiently and effectively has become a central part of the manager's task at all levels particularly with a view to improving the performance of employees and, thereby, the performance of the NHSiS in delivering services. Line managers increasingly are being expected to take greater responsibility for the personnel management aspects of their work. This implies that they are able to function effectively in five key aspects of managing people:

- developing a culture of partnership working
- identifying the employees needed for service delivery
- employee retention and recruitment
- motivating and developing employees
- improving employee performance at both individual and team levels.

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[1] Scottish Executive 2000
[2] Scottish Executive 1998

These self-assessment materials focus on trusts where the vast majority of people are employed. However, they apply and could be extended throughout the NHSiS family incorporated in the new unified Health Boards and primary care including, for example, GP practices.

1.2 The self-assessment pack

This self-assessment pack has been produced by Audit Scotland to assist line managers and auditors in the review of managing people in NHSiS trusts and to monitor progress towards delivering the Human Resources Strategy. These materials are based on collaborative work between the Accounts Commission and the NHSiS Trust Human Resources Directors Group for the purposes of piloting the self assessment in 1998/99.

The pack comes in 2 parts.

- Part 1 provides background information and guidance about how to undertake a self-assessment exercise
- Part 2 is the self-assessment tool which you need to complete.

There are three versions of Part 2 and the one you will be issued with will depend on whether you are asked to complete the self-assessment at corporate, department / function or team level.

Additional copies of these materials can be obtained from the trust's external auditor or directly from Audit Scotland at 110 George Street, Edinburgh, EH2 4LH.

1.3 Auditors' statutory duty

The specific statutory duties of external auditors in the NHS in Scotland (NHSiS) are contained in:

Public Finance and Accountability (Scotland) Act 1999.

Management arrangements for ensuring value for money are referred to explicitly in statute.

"The Auditor General may initiate examinations into the economy, efficiency and effectiveness with which bodies and office-holders mentioned in subsection (2) have used their resources in discharging their functions."(PFA S21(1))

The terms economy, efficiency and effectiveness are often referred to under the generic phrase of 'value for money' (VFM). The achievement of VFM in an organisation depends critically on the quality of its management arrangements.

Each year, NHSiS trusts spend more than 60% of their total expenditure on staffing costs. Therefore, this area is a matter of priority for appointed auditors and will be actively pursued by them during 2000/01 and beyond. As a minimum in the first year, they will address managing people at the corporate level. The preferred approach to undertaking reviews of this type is a structured self assessment with independent review, within a continuous improvement culture. The main output is an agreed action plan.

Trusts may choose to use other materials and approaches to assist them but the requirement to demonstrate accountability in response to the issues raised in this pack remains the same. Managers will also be required to identify and implement plans to address any shortcomings and these will be independently reviewed by the auditors.

Chapter 2. Background to self-assessment

A quality self-assessment acts as a mirror - a way for an organisation to look at itself and see what is good, what is bad and what is missing.

'The Quality Mirror: reflecting on improvement'.

Managing Service Quality, pp38-43, Vol 5 No2, 1995

"The self-assessment process allows the organisation to discern clearly its strengths and areas in which improvements can be made and culminates in planned improvement actions which are then monitored for progress."

Self-assessment guidelines for companies, EFQM (European Foundation for Quality Management), 1997

2.1 Benefits of self-assessment

Self-assessment has the following advantages:

- it allows those with detailed knowledge of the trust to assess its performance across a set of key areas
- it is a useful diagnostic tool, enabling the trust to identify strengths, weaknesses and areas for improvement at corporate level, within departments or functions and within teams
- it provides a snapshot overview of the trust's arrangements, enabling progress to be monitored over time
- it can generate a commitment to making improvements among those making the assessments
- it enables managers to recognise good performance as well as areas for improvement
- it enables disparate parts of the trust to assess themselves against the same criteria.

2.2 The self-assessment process

The self-assessment process will involve eight stages as shown in Exhibit 1 (overleaf).

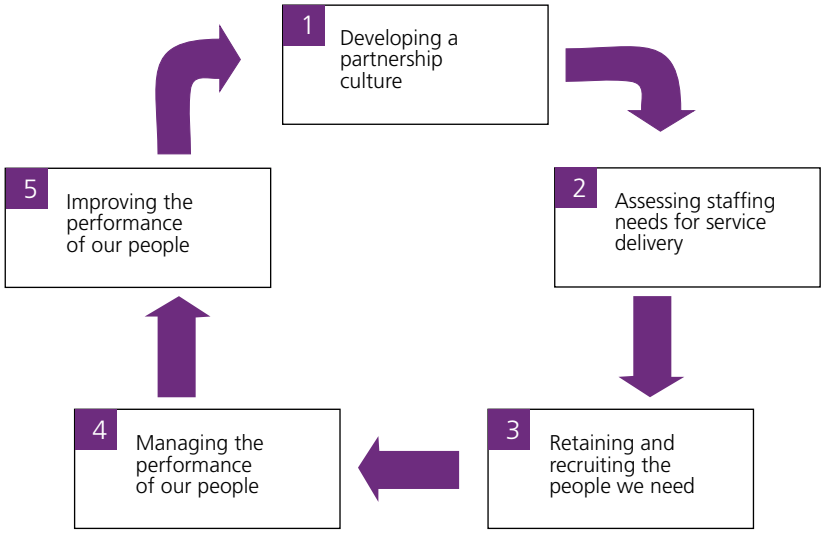
Exhibit 1: The self-assessment process

Key milestones	Description
1 Meeting between Chief Executive and auditor	The Auditor contacts the Chief Executive to arrange a briefing meeting on the review and provides the self-assessment packs (if appropriate). At the meeting the Chief Executive and Auditor identify relevant work already undertaken and agree: • the teams and departments/functions that will be included in the review, together with the corporate audit • the broad timescale for the review including key dates for completion of the self-assessments and draft action plans • a central contact person within the trust who will take responsibility for co-ordinating the trust's self-assessments. The focus of the review is the management of people, so the departments/functions and teams should be included on the basis of the number of people employed. In addition, the trust may wish to extend the use of the guidance material and the self-assessment and action plan approaches across all departments/functions and teams as an internal 'health check'.
2 Self-assessment material distributed to senior managers	The central contact distributes copies of the relevant sections of the self-assessment packs to managers who will be undertaking the self-assessment. Managers should be aware of the key milestone dates agreed by the Chief Executive.
3 Self-assessments and draft action plans completed	The self-assessment is undertaken at corporate, departmental/function and team levels by appropriate managers. Based on the self-assessment managers produce a draft action plan for improving management arrangements in the future. The trust may wish to review draft action plans from teams, departments/functions before they are passed to the Auditor. There may be actions for improvement which are common across them which have implications for corporate initiatives.
4 Self-assessments and action plans reviewed by auditor	The completed self-assessments and draft action plans are returned to the Auditor by the agreed date. The Auditor reviews the completed self-assessments and draft action plans.
5 Follow-up work by auditor as necessary	As appropriate, selective follow-up work is undertaken (to clarify or verify arrangements). Such follow-up work may take the form of meetings/interviews with managers and employees or requests for additional documentation to support the self-assessment.
6 Action plans agreed	The Auditor discusses and agrees an action plan with managers at team, departmental/functional and corporate levels.
7 Action plans implemented by senior managers	
8 Implementation reviewed by auditor and senior managers	In the following year, the Auditor and senior managers assess progress made against the agreed action plans.

Source: Audit Scotland

2.3 The focus for self-assessment in terms of managing people

The self-assessment is structured around five inter-related aspects of good practice in managing people.



2.4 How to assess yourself

The pro formas consist of a series of prompts and tasks. Prompts are statements against which the trust is asked to assess itself. Tasks detail the evidence that auditors would look for to verify any part of the assessment. For example:

Prompt	Task
Our goals are realistic given the people that we have.	Check for a systematic approach linking corporate goals and strategies to employees in the trust and for plans to deal with any gaps or mismatch between what the trust wants to achieve and what its employees are capable of delivering.

Each trust can make its own arrangements to complete the self-assessment exercise. However, Audit Scotland has set out a model process below which involves group self-assessment by management teams. This approach will involve preparatory work by managers and two management team meetings for assessment and agreement on the action plan.

This approach is recommended to enable the trust to reach consensus on its strengths and weaknesses and also to enable management teams to agree a view of areas for improvement and actions that will be taken.

2.5 Self-assessment steps

one The corporate management team and departmental/functional management teams arrange a meeting to agree an assessment of their trust, departments/functions and individual teams.

two Contact officer distributes self-assessment pack to each participant in the assessment meetings.

three In advance of the meeting, each participant works through the assessment material, making notes and identifying potential areas for improvement.

four Meeting to agree assessment and potential areas for improvement.

Appoint a chair and note-taker.

Work through the pro formas to reach agreement on:

- the current performance
- potential areas for improvement.

five Following the meeting, the Chair distributes completed pro forma and list of potential areas for improvement.

six Managers agree the assessment and complete draft action plan to forward to the auditor.

seven Auditor follows up and verifies the assessment.

eight Action plan agreed with auditor.

2.6 Good practice in organising a self-assessment session

one Decide who will chair or facilitate the meeting and who will record comments.

two Set the date, venue and duration of the assessment meeting. It is suggested that two hours are allowed for the meeting. If participants have prepared in advance of the meeting, this will be sufficient time to allow discussion and consensus.

three Distribute the pro formas well in advance of the meeting.

four Agree a date for distributing a draft of the completed pro forma and a date for meeting to agree areas for improvement in the draft action plan.

five Ensure that all points on the action plan meet the SMART criteria:

- Specific
- Measurable
- Action based
- Realistic
- Timebound

six Distribute the agreed action plan to all participants.

seven When completing the action plans, make sure that responses are helpful to minimise the work involved for the auditor in following up the assessment. For example, attach copies of reports if these will be necessary for the auditor, provide dates for meetings and contact numbers for any personnel mentioned.

eight Trusts should be able to provide different types of evidence to support the assessment:

- evidence based primarily on documentation (plans, minutes, reports etc)
- evidence based on the explanation of a process that has been followed (for undertaking selection and recruitment, for example)
- evidence based on feedback/discussion with managers/employees (for example, in communications about performance improvement.

Consider how you can demonstrate evidence for your response and point the auditor in the right direction.

2.7 Action plans

The output from the assessment is a draft action plan at corporate level as well as for each department / function or team that is assessed. The action plan should contain details along the lines set out in the template below.

Exhibit 2: Action plan template

Issue/expected benefit	Action	Responsibility	Timescale	Comment

Draft action plans will be agreed with the auditor and will form the basis of the improvement programme for the trust on its management of people. The auditor will check progress with senior managers on the action plans in the following audit year.

To produce action plans, trusts may find it helpful to adopt the following process:

- Identify key areas for improvement for each of the five sections of the pro forma.
- Review the areas for improvement across all five sections and consolidate any that are duplicated or overlap.
- Identify a small number (say five-six) from the action list which appear to be:
  a) most important in terms of management arrangements. This should include any fundamental weaknesses, initiatives that will support future improvements or areas that offer scope for some quick success.
  b) actionable wholly or partly within 12 months. (NB: for longer-term projects, trusts should produce a project plan that sets out clearly what they expect to achieve in the next 12 months, even though the overall task extends beyond that period.
- Ensure that the final agreed action plan meets the SMART criteria.

Chapter 3. Aspects of managing people

The pro formas seek to assess, at its different levels, the extent to which you believe the trust:

- develops a culture of partnership working
- determines the people it needs in order to achieve what it has set out to do
- ensures it retains and recruits the people it needs
- manages the performance of its people to ensure that it gets the best from individuals and teams
- improves employee performance.

3.1 Developing a culture of partnership working

The Health Plan devotes an entire section to "working in partnership with staff". Its core aims are to:

- work in partnership with staff
- encourage innovation and creativity
- achieve continuous improvement
- invest in the NHS by investing in its staff.

The plan also highlights the requirement for the development of staff governance whereby staff are entitled to be:

- well informed
- appropriately trained
- involved in decisions which affect them
- treated fairly and consistently
- provided with an improved and safe working environment.

Leaders need to ensure that they develop an appropriate culture within which staff operate to provide the high quality patient care. This would involve, for example, staff adopting good practice (PIN) guidelines and routinely demonstrating behaviours in line with stated organisational values.

3.2 Determining the people we need

Once a trust has decided on its goals, it is essential that it identifies whether it has the people necessary to achieve them.

Setting goals should be a dynamic process that links aspirations with reality – what you want to achieve with what you are able to achieve. This should involve assessing what the trust's people are capable of delivering now, and what they can become capable of, through training, development and recruitment to enhance the trust's skills base. Goals should be revised to take account of the skills available. As the objectives of the trust develop and change, so will the skill requirements of employees. Enhancing employee skills is a key way to build up new capacities within the trust and enable service delivery to be continually improved.

Trusts need to develop ways of assessing the number of employees that they need to provide specific services. The implications of the recent policy changes in the NHS are that there will be further major changes in the numbers and deployment of employees across trusts. Managers should have a clear view of the number of employees that they have and the number of employees that they need to deliver the trust's objectives.

Two aspects of employee costs are within the control of managers: the numbers and grades of employees. Managers should be able to assess the grade mix required to deliver the trust's objectives and identify how that mix can be achieved. In planning people resources, managers should be clear about the long-term implications on staffing budgets of pay settlements, regradings and starting grades for posts.

Managers should have a view of the key people issues they are likely to face in the short and longer terms. This might involve the numbers and skills of employees necessary as well as how the organisation will respond to national issues, such as health and safety legislation or requirements. Managers should be clear about the key steps that need to be taken to address any people issues that affect service delivery or the achievement of goals.

3.3 Retaining and recruiting the people we need

Corporate and service plan objectives can only be achieved through the employees of the trust. Historically, attention has often been focused on the recruitment process. Increasingly, trusts are evaluating their management arrangements for retaining the employees they need as well as for recruiting.

3.3.1 Retention

Employee turnover in any organisation will be the result of a number of inter-connecting factors, and turnover levels are likely to fluctuate over time and between different parts of the organisation. A moderate level of turnover can be beneficial as it can lead to the introduction of different experiences, ideas and approaches to service delivery as new employees join the organisation.

However, replacing employees who have left can be expensive not only in direct financial terms (involving recruiting and training replacements) but also in terms of disruption and the loss of skills, experience and expertise which can be difficult to replace in the short term.

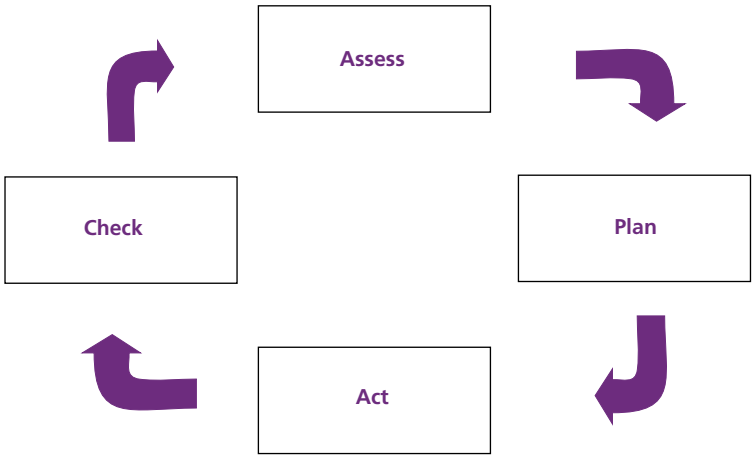
It is important that regular monitoring of employee turnover takes place. Where such turnover is felt to be excessive or causing particular problems the manager should review appropriate actions based on an understanding of the key factors affecting turnover. It is equally important that the impact of any actions is also monitored as part of the performance review process. The key parts of this process are:

Assessing the situation
Planning what actions to take
Acting upon those plans
Checking that the actions have had the desired effect.

An Audit Commission report revealed that in the NHS:

- on average it costs £4,900 to replace an E grade nurse
- a new recruit takes up to a year to reach 100% productivity
- turnover rates for nurses varied from 7% to 36% a year
- turnover rates for physiotherapy staff varied from 8% to 76% a year.

'Finders Keepers', The Audit Commission, 1997



Where possible, comparison of turnover figures over time and with other comparable organisations or departments will be helpful to management. If such trends are not currently available managers should consider establishing routine data collection and analysis systems.

Checklist 1 (See Part 2) identifies the key areas for monitoring that should be considered by management. They include:

- monitoring key trends in turnover (by grade, by department/function, by different turnover measures)
- monitoring the full costs of such turnover to the organisation
- understanding the key factors influencing turnover.

3.3.2 Reducing employee numbers

Decisions taken to reduce employee numbers may have been taken for a variety of reasons – one of which is to respond to changes in the budget position at various levels in the trust. It is important that decisions to reduce employee numbers are taken in the context of declared strategic objectives and service priorities and not simply as a means of trying to solve an immediate budgetary crisis.

Reducing employee levels in an *ad hoc* and relatively unplanned way runs the risk of affecting service delivery in an arbitrary fashion.

Workload levels in areas where posts have been removed may become unmanageable with increasing inefficiency and decreases in service effectiveness. Reducing management numbers, particularly at middle management level, can lead directly to additional difficulties and further consequences for service delivery. Responsibilities and lines of accountability may be disrupted and it may not be clear to the remaining employees what their new responsibilities and roles are. Skills and competence of remaining staff may not always be adequate to cope effectively with new roles and responsibilities. There may also be a loss of what has been called *corporate memory:* the informal skills, knowledge, experience, contacts and informal information systems that have been built up by long-serving employees that may be lost to the organisation.

It is important that reductions in employee levels are properly planned and the implications of reducing employee levels reflected in strategic objectives at both corporate and service plan levels. Checklist 2 (See Part 2) provides some key questions that managers should address before they reduce employee numbers.

3.3.3 Recruitment

The recruitment and selection of employees contributes to a wider trust strategy which should, in turn, be driven by the organisation's overall goals.

Recruitment should be guided by a strategy which seeks to meet the present and future people needs of the organisation and should be properly integrated with other key aspects of people management including:

- planning the number and type of people needed
- training and development
- competence and skills assessment
- performance review and management
- reward strategy.

While some trusts may not have a formal people planning mechanism it is still important to plan and manage the recruitment and selection process at corporate, departmental/functional and team levels. Successful recruitment at all levels is critical to the trust's successful delivery of quality services and the consequences of poor recruitment can be severe:

- for the organisation consequences can include falls in productivity, quality of work, indirect costs of disruption as well as the costs of repeating the recruitment process

- for existing employees consequences can include disruption of existing work patterns, extra work, increased stress, reduction in morale

- for the individual wrongly appointed the consequences can also include stress, frustration and a sense of a wasted opportunity.

From a VFM perspective it is critical that a trust:

- has appropriate recruitment policies and procedures in place
- ensures these are kept up-to-date
- has ensured all staff involved in any stage of the recruitment process have the necessary skills and competencies
- ensures that its recruitment policies and procedures are being followed.

Advice on good practice in recruitment and selection should be available from the Health Department.

It is also important from a VFM perspective that recruitment performance is regularly monitored at all levels across the trust, particularly in the context of the costs incurred in recruitment (and opportunities to reduce these) and the effectiveness of the recruitment process as measured by the retention rates of new staff appointed.

The basic stages of recruitment can be set out as:

1. Agree the vacancy
2. Prepare a job description
3. Prepare a person specification
4. Attract applicants
5. Selection
6. Induction

1. **Agree the vacancy**
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1. Agree the vacancy

It is important that managers use vacancies as an opportunity for re-assessing their people needs and related organisational structures in the light of their declared strategy and objectives. Such an opportunity is not always grasped; management may simply assume a vacant post must be filled with an identikit of the previous employee.

Job content and requirements may benefit from revision and updating. There may be an opportunity to alter organisation structures to make better use of resources. Part-time or temporary posts may offer more flexibility and efficiency. It may be that the work could be transferred to another part of the organisation or outsourced or that existing staff could be redeployed elsewhere. It may even be that the post is no longer necessary.

Overall strategy and the need to pursue greater efficiency and effectiveness should influence such considerations. In practice, such review is often easier to undertake when a vacancy arises. The use of exit interviews with an employee leaving a post can be useful in helping to re-assess that post.

As part of this process, and also linked to the production of the job description (below), the salary or grade of a post should be re-assessed. In particular, there should be a mechanism for ensuring that, when recruiting, attention is paid to assessing the rate for the job within the relevant labour market. There should also be a mechanism for evaluating a job to allocate it to a grade which is consistent with comparable jobs elsewhere in the trust or the NHSiS.

1. Agree the vacancy
2. **Prepare a job description**
3. Prepare a person specification
4. Attract applicants
5. Selection
6. Induction

2. Prepare a job description

Job descriptions have several purposes. They clarify expectations of both employees and their managers; they provide a basis for job evaluation procedures and staff appraisal programmes; and they help identify training needs.

Job descriptions also help ensure that all those involved in recruitment and selection have the same idea of what is needed and have a template for selecting job applicants.

It can be helpful to conduct a job analysis before producing a job description. Such an analysis involves identifying:

- the present or expected duties of the job
- changes which might impact on the job in the foreseeable future
- existing duties which might be done more effectively or efficiently by someone else
- new duties that could be added to the job.

Job analysis can benefit from taking into account the views of the person leaving the post, holders of comparable posts and the immediate supervisor/line manager.

Checklist 3 (See Part 2) provides a 'good practice' format that may be useful as an overall guide for a job description.

Job descriptions should be:

- accurate – a job description should not understate or overstate the role and duties associated with the post.
- clear, in terms of tasks, duties, roles, responsibilities
- up-to-date
- detailed but flexible
- non-discriminatory particularly in terms of gender, marital status or ethnic background.

1. Agree the vacancy
2. Prepare a job description
3. **Prepare a person specification**
4. Attract applicants
5. Selection
6. Induction

3. Prepare a person specification

The use of person specifications is a relatively recent development in recruitment and their use will not necessarily be widespread. Person specifications have a different purpose to job descriptions and it is important the two are not seen as inter-changeable.

In particular a person specification:

- aims to identify the qualifications, skills, experience and abilities which are seen as essential or desirable in the post-holder
- is used primarily to assist those involved in the selection process.

Person specifications must reflect job descriptions but they describe the person capable of properly undertaking the job not the job itself.

It can be helpful to construct a simple matrix for a person description with the aim of answering two questions:

- what should the person appointed be like?
- what are the minimum characteristics they should have?

Key legislation includes:

- The Disabled Persons (Employment) Acts 1944, 1958
- The Sex Discrimination Acts 1975 and 1986
- The Equal Pay Act 1970 and Equal Pay (Amendment) Regulations 1983
- The Race Relations Act 1976
- The Disability Discrimination Act 1985

The matrix is made up of specific categories:

- physical attributes (directly relevant)
- qualifications
- experience and achievements (education, training, practical experience)
- intelligence
- particular skills (dexterity, numeracy, computer literacy)
- personality (maturity, self-reliance etc)
- circumstances (geographical mobility, availability etc)
- interests (hobbies, sports etc).

The matrix also operates on two levels:

- Essential: attributes the person must have.
- Desirable: attributes which would be useful.

This information can be presented along the following lines:

Characteristic	Essential	Desirable
1. Physical		
2. Qualifications		
3. Experience and achievement		
4. Intelligence		
5. Skills		
6. Personality		
7. Circumstances		
8. Interests		

It is important that the person description conforms to non-discrimination policy.

It is also important that all employees involved in the recruitment process are either aware of the legislation and its implications or are following guidelines provided to ensure the legislation is complied with. The costs of non-compliance (through compensation or adverse publicity) can be high.

1. Agree the vacancy
2. Prepare a job description
3. Prepare a person specification
4. **Attract applicants**
5. Selection
6. Induction

4. Attract applicants

Attracting applicants for a vacant post is a balance between attracting a sufficient number of the right calibre and not attracting so many that it places undue burdens on the selection process that follows. There are a variety of ways of attracting applicants for a post and the relevance of these will vary considerably with the post itself and the surrounding circumstances. Managers should, however, take a conscious decision to use the most cost-effective methods of attracting applicants and not simply continue to use methods adopted in the past. Amongst the methods available are:

- advertising internally
- advertising externally through appropriate media (national or local press, trade or professional journals etc)
- using employment agencies such as recruitment consultants or job centres
- using formal and informal networks (professional associations for example)
- contacting previous employees directly
- reviewing previous applicants for comparable posts.

At corporate level, attention should be paid to economies of scale that may be achieved through co-ordinating some of these activities across the trust. Discounts on advertising rates may be available if organised on a co-ordinated, trust-wide basis; recruitment agencies may become cost-effective if used on a trust-wide basis.

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Common reasons for the weakness of the interview as a selection device:

- distorted and premature judgement
- poor use of support tools like person specifications
- lack of rapport with applicants
- weak and unfocussed questioning
- poor listening
- bad interview conditions.

Making the Most of People, Evenden and Anderson 1992

5. Selection

The selection process adopted will depend largely on the nature of the post to be filled and the number of applicants attracted. If there is a small number of applicants it may be possible to move directly to the final selection, otherwise a short-listing stage will be necessary usually based solely on the applications received.

Short-listing should concentrate on eliminating those applications that do not meet the pre-agreed essential requirements as set out in the person specification. It is also important that reasons for rejection at this and other stages are recorded.

If the number of applications still remains high it may be possible to further reduce the shortlist by using the desirable characteristics from the person specification.

The final selection process will depend largely on the nature of the post to be filled and may be influenced by essential skills categorised in the person description. It should not automatically be assumed that interview alone is the most appropriate method of final selection. If the post involves practical skills these can be tested under controlled conditions.

All members of the recruitment panel should have the competence and skills in selection techniques. Training should be provided where necessary.

6. Induction

Given the investment made in new employees it is important that they should receive an appropriate induction as soon as is practical to ensure they make the maximum contribution to the organisation's activities as soon as possible. Such induction should cover:

- organisational, departmental/functional and team objectives so that the employee understands what they are trying to achieve
- personal objectives so that the person understands what is expected of them
- relevant immediate training so that the person can properly undertake their job.

1. Agree the vacancy
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There may be opportunities for economies of scale at corporate level in organising and co-ordinating parts of the induction. At the same time it is important that appropriate induction takes place within a reasonable time period for all new staff and not be delayed until a sufficient number of new staff have been recruited.

Induction training should recognise that different approaches to induction may be needed and these might include the use of a mentor, visits to the workplace prior to taking up appointment, the use of personal induction objectives in the first few weeks of work as well as the more traditional approaches to induction.

3.4 We get the best from our people as individuals and teams

A key question for every organisation is "How can we get the best from our people?"

In NHS trusts this question is critical because the core business is people delivering services. Establishing a process for managing people is essential to ensure that people can contribute effectively to the delivery of services and the achievement of the trust's goals. Many organisations have developed performance management systems to help support the management of people.

Paying the Piper suggested that, in time, councils could achieve a 5 per cent saving in staff costs through:

- better use of staff via good business planning and performance management
- better control of salaries through reviews and tighter pay policies
- leaner management through review and delayering
- benchmarking and reviews at the point of service delivery.

Paying the Piper: People and pay management in local government, The Audit Commission, 1995

Performance management is not a "quick fix" which can overcome all the problems of reduced resources. However, by focusing on key aims and improving staff productivity authorities can manage and protect services more effectively.

The Melody Lingers On: A Review of Audits of People, Pay and Performance, The Audit Commission, 1997

Performance management encompasses a range of standard management techniques. It is not necessarily a formal system and is not necessarily the same as an appraisal system. The findings of an Audit Commission report on performance management in local government are also relevant to NHSiS trusts. The report emphasised that:

- performance monitoring embraces a range of straightforward processes that are fundamental to good management, however they are labelled. These processes are universal and do not apply to any single management system.
- performance monitoring concerns both the 'soft' issues of staff motivation and the 'hard' issues of financial targets, thus linking individual and organisational performance together[3].

Why manage performance?

Establishing clear processes for managing the performance of people and reviewing their effectiveness are essential elements in ensuring that there are proper arrangements in place to secure value for money. Performance management also has other, less tangible, potential benefits.

In 1992, the Institute of Personnel Development carried out the largest ever survey of the use and effectiveness of performance management in public and private sector organisations in the United Kingdom.

Among organisations using performance management systems, a common benefit identified was enabling individuals to see more clearly their part in the organisation and the corporate direction taken by the organisation. Commitment and identification with corporate aims and goals increased.

Other benefits included:

- improved retention rates
- better time management and reduced costs
- recognition of training needs
- helping to attract better applicants for management positions
- improved dialogue with members
- assisting in restructuring by clarifying accountabilities
- increasing people's sense of personal value and self-esteem
- enhancing the individual's perception of control/empowerment
- identifying candidates for redundancy.

The key elements of managing people performance involve:

- setting objectives
- assessing development needs
- making it happen
- review
- doing better.

There are many different types of formal and informal performance management systems in operation in NHSiS trusts. To some degree, all trusts will already be setting objectives for employees, assessing development needs, communicating with employees, reviewing individual performance and identifying ways in which individuals can improve their performance . However, the ways in which these methods are used to improve performance may not be clear or consistent throughout the trust.

[3] *'Calling the Tune: Performance Management in Local Government'*, The Audit Commission page 11, 1995

1. **Setting objectives**
2. Assessing development needs
3. Making it happen
4. Review
5. Doing better

"There was a high correlation between understanding, commitment and job satisfaction. If people are clear about what they can and should be doing, and know how their job contributes to the larger picture, they tend to be more committed: the result is higher productivity and better quality services."

The Melody Lingers On: A Review of the Audits of People, Pay and Performance, p24, The Audit Commission, 1997

1. Setting objectives

Setting out clearly what employees are expected to do is a fundamental part of managing performance and should link the responsibilities and accountabilities of posts to corporate, departmental/functional and team objectives. Checklist 4 (See Part 2) provides a set of key questions regarding objective setting.

Employees need to know what is expected of them. Setting objectives which are specific, measurable, action orientated, realistic and have timescales for action means that employees can be sure what they should deliver, when and how. Discussion about individual objectives will also enable employees to understand why they should do the things that they have to do and how they fit into and contribute to the wider goals and aims of the trust.

Job descriptions should set out the purpose of jobs and the range of tasks that the postholder may be expected to undertake. But individuals will also need to know what is expected of them week by week and month by month. They also need to know which skills they should be developing and the levels of performance they should achieve. This is best discussed and agreed in one-to-one meetings and many performance management or development systems will formalise such meetings so that their outcome is recorded and can be reviewed.

To get the best from employees, managers need to know who will be doing what, where the strengths and weaknesses of employees are and which skills need to be developed by their teams. Properly set, achievable objectives that make clear what is expected, by when and to what standard, benefit both employees and managers by clarifying roles and responsibilities, and assist in delivering value for money in the use of people resources. Setting performance objectives with employees will also enable managers to assess how employees can best be used productively and to identify any areas where employees are producing different results in terms of outputs. This can be useful in benchmarking performance and identifying individual, team and departmental areas for improved productivity.

1. Setting objectives
2. **Assessing development needs**
3. Making it happen
4. Review
5. Doing better

2. Assessing development needs

This involves assessing the training and development needs of employees to improve their ability to reach the standards of performance expected of them in their jobs. This process should result in planned actions to meet individual needs, and will, where appropriate, enable individual needs to be aggregated across departments/functions and the trust.

When performance objectives and standards are set for an employee, it is necessary to assess whether the employee has the skills to meet the standards being set and to agree how skills will be developed if they do not already exist. This is particularly important when ways of working are being changed.

Development needs can be met in many ways including:

- work shadowing
- special projects
- planned self-development
- mentoring
- coaching and guidance
- study for professional qualifications
- planned delegation
- on-the-job training
- new responsibilities

- off-the-job training
- job rotation/secondment
- membership of professional societies.

Individual development needs add up to team departmental/functional and trust-wide development needs. Individual managers must have a view of the development needs across their teams and departments/functions. At corporate level, senior managers should have a view of the development needs across the trust so that common needs can be met in the most cost-effective way and competing needs can be prioritised.

Employee development should be linked to the achievement of the trust's goals and targets. If a key priority for the trust is to improve patient care, development plans at individual, team, departmental/functional and corporate level should reflect that goal by focusing on enhancing the skills of employees to deliver the required levels of patient care. Employees will know which aspects of their work need support and development and are well placed to identify training and development needs to help them perform better in their jobs.

Checklist 5 (See Part 2) provides some key questions to be addressed in terms of training and development.

1. Setting objectives
2. Assessing development needs
3. **Making it happen**
4. Review
5. Doing better

3. Making it happen

This involves assessing and improving communication between managers and employees and the culture climate within the trust. Dialogue between the trust and its employees is essential so that employees know what is expected of them and the trust knows the expectations and ideas of its employees.

Many tangible and intangible factors contribute to an effective working environment. Our focus is on the creation of a shared understanding and sense of purpose in the workplace, in particular, communication, culture and climate.

- Communication looks at the exchange of information between employees, managers and the trust.
- Culture covers the values and ethos of the organisation.
- Climate assesses the morale and motivation of employees.

> Internal Communication is one area where it is very difficult to fool all of the people any of the time.
>
> *The Communicating Organisation,* Michael Blakstad and Aldwyn Cooper, IPD, 1995

Good communication is essential for effective performance management. Internal communication enables managers to ensure that employees are clear about the direction the trust is taking and the goals it wants to achieve. Team communications enable groups of employees to know how their work is assisting the trust to achieve its goals and to contribute to the improvement of their performance within the trust. One-to-one communication between line managers and employees enables individuals to know how their performance is enabling their team and the trust to meet its goals.

Good communication enables managers to give and receive messages to and from employees. This can include aims and objectives and also training and development opportunities. Employees will often know best within the organisation whether new initiatives are working or where problems are arising and how they can be addressed. Ensuring that there is a process for employees to let their views be known ensures that valuable service knowledge is put to good use.

> Not everyone receives information in the same way. Sometimes people may miss an essential idea or message if it is only expressed in one form. Therefore, it is often valuable to express key components of a message in more than one medium.
>
> *The Communicating Organisation,* Michael Blakstad and Aldwyn Cooper, IPD, 1995

> Possibly the most common error in internal communications is failure to ensure that the communication is a two-way process. This is essential for a variety of reasons. If there is no direct mechanism for feedback there is no means of measuring whether the communication has been understood except through the long-term performance of the business and that may be too late! Secondly, the feedback process itself is one of the elements of engagement in the process and can be highly motivating to the audience as well as the most essential information and effective suggestions for development can be locked up in the experience and thoughts of the audience.
>
> *The Communicating Organisation,* Michael Blakstad and Aldwyn Cooper, IPD, 1995

People's performance is affected by their working environment. Morale, motivation, frustration, enthusiasm and commitment all influence the performance that the trust can achieve, so understanding what is important to employees and listening to and acting on their views is an essential part of organising effectively.

There are many methods of communicating internally including team briefings, newsletters, seminars, training, awaydays, open meetings, suggestion schemes and staff attitude surveys. Most organisations will use several methods to communicate with staff:

- team briefings
- roadshows /staff meetings
- newsletters
- noticeboards
- house journals
- other
- email
- video.

Checklist 6 (See Part 2) addresses the dilemma about how to optimise the investment in communications whilst Checklist 7 (See Part 2) is a template for a communications strategy.

4. Review

Having set objectives for individual employees it is essential that performance and progress are regularly reviewed with individuals so that employees feel recognised for their achievements and can identify areas where performance can improve.

Reviews are necessary to improve individual and organisational performance, because they enable assessment of performance against agreed objectives and the identification of areas where performance exceeded or failed to meet agreed objectives. Reviews are a valuable tool for continuous improvement at organisational and individual level.

Reviews of individual performance should also enable employees and managers to have a clear understanding of the factors that influence performance and whether these can be influenced.

Reviews of performance differ from the management of day-to-day performance because they allow managers and employees to consider performance over an agreed period of time. This allows a clearer view to be established of recurring strengths or weaknesses, rather than focusing on the most recent example of success or failure.

The Accounts Commission's report *A Review of Management Processes in NHS Trusts* (1995) found not only that the number of staff subject to appraisal varies from trust to trust but also that in some cases staff were not appraised despite having agreed personal objectives.

Useful individual performance reviews can include positive and negative feedback, with a focus on suggestions for improving performance.

1. Setting objectives
2. Assessing development needs
3. Making it happen
4. **Review**
5. Doing better

Effective feedback is specific, focuses on the issues and seeks a solution.

Destructive feedback is general, focuses on the person and apportions blame.

Techniques for Improving Performance, Open College, 1995

1. Setting objectives
2. Assessing development needs
3. Making it happen
4. Review
5. **Doing better**

The NHSiS can learn from the following evidence from local authorities:
Local authorities spend most of their money on staff, but, ... many have difficulties in managing people well.
Problems can arise from:

- inadequate management information
- the separation of pay management from control of staff numbers
- low productivity
- staffing which does not reflect workload
- top heavy management structures
- staff skills not properly used
- pay levels out of line with the market and job size
- mismanagement of pay progression.

Paying the Piper: People and pay management in local government, The Audit Commission, 1995

5. Doing better

Identifying areas for improvement in the performance of individual employees enables the individual and the trust to build on previous performance and review and identify how performance can improve. This step leads directly back to step one of the cycle and will result in the setting of new objectives and standards for individual performance.

Improving performance is the desired outcome of any process for managing performance. Improved performance is possible when people are clear about what they should do, have the skills or experience required, know how well they have performed and how they could do better. The outcome of performance management should be a clear path for employees to follow to improve how they do their jobs, with support and guidance along the way. This should enable teams, departments / functions and trusts to improve their performance and achieve their objectives.

Managing performance is a dynamic, continuous process. As people take on new challenges, support and development may be required. The stages of managing performance – from setting objectives through to identifying areas of performance to improve – needs to be frequent enough to respond to the demands of new workloads or changed circumstances. However, sufficient time has to be allowed between reviews and setting objectives for employees to have time to improve performance. Many formal performance management systems allow a twelve month period between reviews.

The criteria in Checklist 8 (See Part 2) were used by the Institute for Personnel and Development to rate performance management practices in the UK. Trusts may find them useful if they are considering introducing or assessing formal performance management systems.

3.5 Improving employee performance

From a VFM perspective, it is important that a trust has a pro-active attitude to improving the performance of its employees, and that it builds appropriate procedures and systems into its management arrangements to identify and achieve such improvements on a continuous basis. As a minimum this involves:

- gaining commitment from managers and employees. This will ensure that all employees understand the importance of performance improvement in a people context; that employees are properly trained to contribute to the performance improvement process; that effective two-way communications exist to encourage and enable employees to contribute to the improvement process
- creating and using management information systems routinely to monitor employee activity and costs
- taking actions to achieve performance improvement.

Information systems

Information systems in the context of employee performance have traditionally been based around payroll systems. Whilst these are essential they may not be sufficient by themselves for providing appropriate management information about employee performance in its widest sense. Human Resource performance information systems – either formal or informal – may need to be developed.

A Scotmeg report on Absence in the NHSiS in 1993 found that:

- there were regional variations in sickness/ absence and that Scotland was the worst
- the estimated direct loss to the NHSiS in 1988/89 was £87m.
- there was a lack of meaningful sickness / absence data but that the situation was improving
- even where data existed, there was little evidence of their use and comparisons were made difficult because of the differences in the way data were collated.

Absence in the NHSiS, Action Plan 29, Scotmeg, 1993

The CBI estimates sickness absence cost the UK £12 billion last year (1996). The ...cost of absence in the public sector was £2.6m. According to the survey, the cost per employee is 1.5 times higher in the public sector. Absence rates in local government ranged from a low of six days to a high of 11.4 ...absence in the public sector was higher than in the private sector: 10.2 days a year compared to 7.3.

Local Government Chronicle, 25th April, 1997

As a minimum the pay and performance information system should include:

- employee numbers, establishment and in post by department/function
- pay costs by department/function
- pay costs against budget
- trends in employee numbers and pay costs over time (by department/ function and by employee grades)
- projections of pay costs extrapolated from projected employee numbers and pay progression/increments
- monitoring of related pay costs (overtime, bonus payments, performance related pay) by department and employee grade.

Such information should be routinely assessed by managers with a view to identifying relevant trends and areas for improvement and acted upon as appropriate.

Linked to this the trust should also have performance information systems which include:

- employee turnover data by department/function and by employee grade
- employee retention data
- sickness and absence trends
- establishing and monitoring productivity targets
- costs of non-conformance to relevant legislation (health and safety, equal opportunities etc).

Employee turnover arises from:

- voluntary resignation
- redundancy
- dismissal
- incapacity
- death.

Uncontrolled turnover can result in unplanned disruptions to service and the loss to the trust of a skilled and valuable resource. Whilst a degree of employee turnover is potentially beneficial, careful monitoring is needed to ensure excessive or undesirable levels of turnover are avoided. Global turnover statistics should be analysed to ensure that no serious turnover trends for particular groups of staff are concealed. Trusts need to find those areas that are 'at risk' and take appropriate action to address adverse trends. For example, the Audit Commission found that nursing turnover in England and Wales rose from 11% to almost15% between 1992/3 and 1994/95 and that some trusts experienced difficulties in filling posts, (Staff Turnover in NHS Trusts, 1996 Audit Guide p3).

Similarly, unplanned absences through employee sickness disrupt service provision and increases costs of providing services, with a clear VFM connection. In addition, patterns of sickness absence may indicate that there are aspects of the working environment that require management attention.

Checklist 9 (See Part 2) provides guidance on assessing absenteeism.

Trusts have statutory duties to provide a safe and healthy working environment for their employees. This has implications for appropriate management arrangements in the context of clearly identified responsibilities for health and safety issues throughout the trust, and provision of adequate support to managers in helping them meet their responsibilities. The VFM issue is to ensure that the trust has appropriate information systems in place to monitor the frequency, location, costs and causes of accidents and absences linked to health and safety, and has comparable arrangements to ensure such information is acted upon and the results monitored routinely. Equal opportunities is a comparable area where there are clear statutory duties on a trust and its managers. The VFM issue is primarily to assess whether the trust has appropriate arrangements to assess and monitor compliance with statutory requirements, and the costs associated with failure to do so.

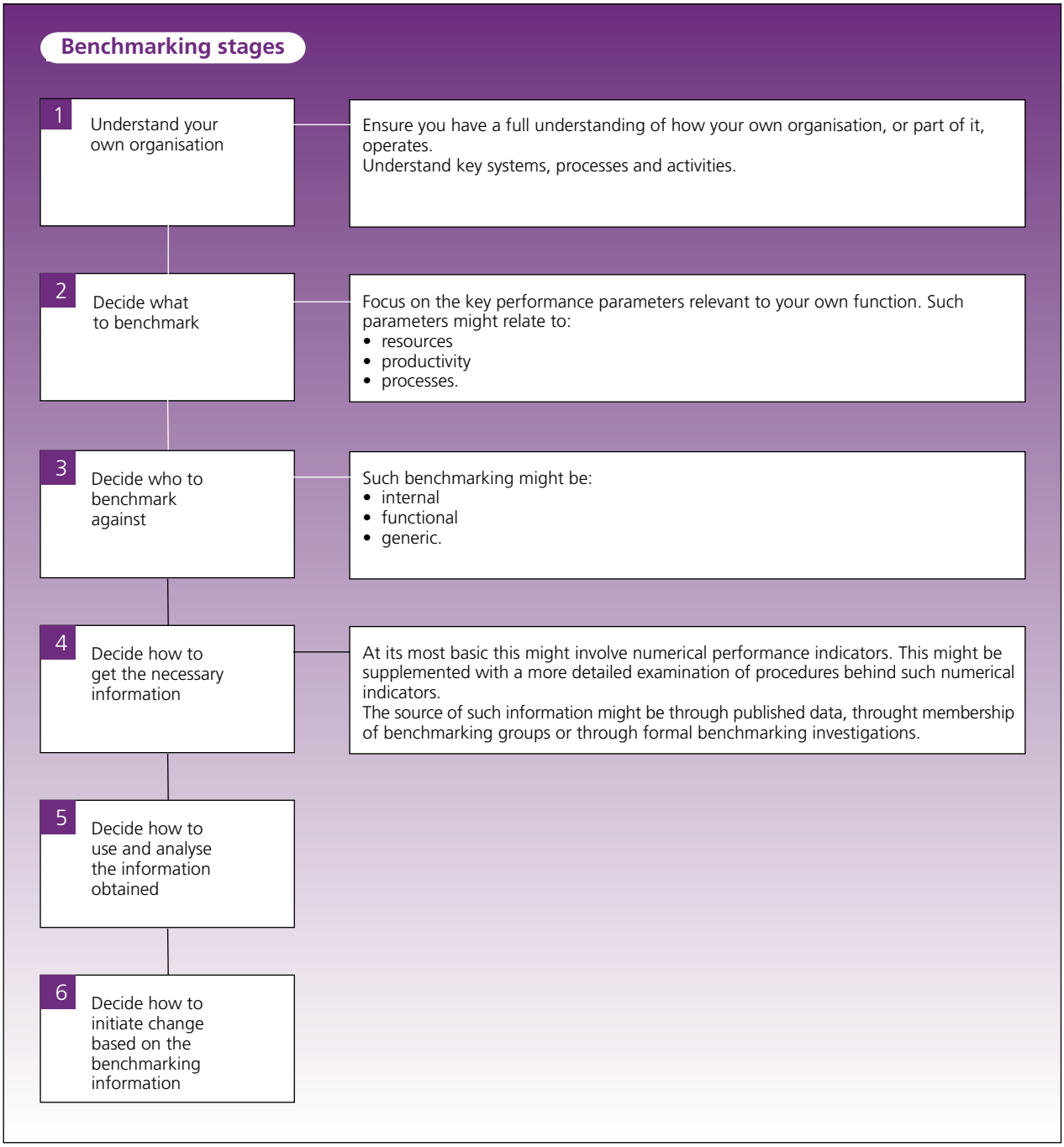
Benchmarking

One of the key management activities relating to improving employee performance will involve benchmarking – comparing key indicators, processes and levels of performance with other organisations. Benchmarking is both a method for setting performance measures and targets that reflect achievable best practice, and a process for closing the performance gap between current performance and best practice performance. Benchmarking can:

- provide comparative performance measures to help managers assess their organisation's performance
- increase understanding and acceptance that opportunities for performance improvement exist
- provide attainable improvement targets based on practice and arrangements in other organisations
- identify processes that deliver best practise performance.

Benchmarking can best be understood as a means of comparing an organisation – and its component activities and processes – with others with a view to adopting best practice ideas that will improve operational performance. However, benchmarking is not simply about copying practices from other organisations: careful examination is needed to ensure managers understand how best practice is achieved and how it can be replicated by their own organisation. It is important to realise that effective benchmarking will require considerable time and effort and a phased introduction of benchmarking over time may be appropriate.

Exhibit 4: Benchmarking stages



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ISBN 1 903433 22 3