CIVIL SERVICE POLICY-MAKING COMPETENCIES: COMPARING THREE INDUSTRY MINISTRIES

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1.   Civil Service Competency: What's New and Who Cares?

(a)   Competency in the general sense of aptitude and capability is a long-standing issue in the politics of bureaucracy, along with political loyalty or responsiveness and social or political representativeness. The competencies of civil servants – what they are expected to be able to do – is one of the major and recurring issues in public administration. Major changes in political regimes often bring about demands for different skills and behavioural qualities in civil servants.

(b)   Beyond this general issue, 'competency' developed particular meanings in management science in the last quarter of the twentieth century. From obscure beginnings in World War II and later in academic psychology, 'competency' became a term associated with particular approaches to strategic management and human resource management from the 1970s. The terminology of competency and associated methods for identifying and assessing competencies in organizations were applied to the US Senior Executive Service from 1979, were widely adopted in business firms and other organizations in the 1980s, and new competency frameworks for senior civil servants were introduced in several European countries in the 1990s. Some dismissed competency as just another superficial fad or fashion in public administration, while others saw a move from job-based to competency-based organization as a condition for modernity and effectiveness.

(c)   Traditionally, competency in public bureaucracy was equated with technical skills or special knowledge. In the 'managerial' era of the 1980s and 1990s most discussion of civil service competency focused less on technical skills in a narrow sense as on managerial ability – the capacity to deliver public services effectively in the demanding conditions of modern politics. But the focus of this paper is on competency in policy-making – the capability of civil servants to contribute effectively to the setting of policy frameworks and standards, and associated processes of idea-generation, evaluation, internal and external consultation, reconciliation of different positions, production of policy documents and communication of policy ideas and approaches. Service management in the sense of effective delivery to citizens at large deservedly attracted much attention across the OECD world over the past twenty years. But policy making matters too, and that is why civil service policy competencies merit more attention than they have received in the recent past.

2.   Who Means What by Competency

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(a)   Competency is a term that has several meanings (and spellings) in management science. In the literature of strategic management (an approach which has been applied to public-sector management by Mark Moore (Creating Public Value,1995) and others) it denotes the key capabilities of an organization. The 'core competencies' approach that developed in management science in the 1980s was concerned to help managers identify the activities of their organizations that were critical to their survival and/or that made their organizations 'best in world,' to enable managers to concentrate on those 'core' capabilities and outsource or abandon other activities. That 'organizational' approach to competency can be distinguished from the approach of the Human Resource Management school, which tends to focus on the skills, attitudes and behavioural qualities of individuals. The latter approach to competency seems to have been more emphasized than the former in public management.

(b)   Within the individual HRM approach to competency, at least two broad types can be distinguished. One focuses on specific accomplishments in the sense of the possession of particular knowledge or the demonstrable ability to perform a given task at a particular level. The traditional approach to competency in German bureaucracy was largely of this kind, and the development of competency standards for the UK workforce from the 1980s also followed this approach. In contrast to that specific-accomplishment approach to competency, the approach to competency that developed in the US from the late 1960s focused on the behavioural qualities and attitudes associated with excellent performance in a particular field, rather than specific accomplishments (for example, the motor skills, patience and temperament needed to be a top pianist). Many competency frameworks in the public sector involve some mix of these two approaches, but it was the more abstract behavioural-qualities approach that was increasingly preferred for top civil service competency frameworks in the US, UK, Germany and several other countries. The 'ability' framework that applied to METI seemed to reflect a more traditional approach towards competency to which inward process management competencies were added.

(c)   A synthesis of those various approaches of competency would be to think of civil service skills and capability in three dimensions, namely the background and experience that civil servants bring to their work from their previous lives, the particular technical or substantive knowledge that they possess and the behavioural qualities that they bring to the social process of policy-making, for example in handling conflict or providing institutional memory. These three dimensions overlap, but they are in principle separable, and each is the focus of a particular debate about what individual civil servants should be capable of knowing or doing in their approaches to policy-making. Those three dimensions can in turn be subdivided into further elements, and they are summarized in the table below.

Competency dimension	Particular quality
Background	- Experience inside government and department (years in service) - Industry and business experience - Implementation/frontline experience - Politics/parliamentary experience - 'foreign' experience - research experience
Technical or substantive knowledge	- policy history knowledge - contextual knowledge of business or sector - knowledge of management techniques - government process knowledge - language and cultural knowledge - specific professional skills
Contribution to social process	- memory - networker function - project oversight, leadership and planning - appraisal and critical judgement - conflict handling - knowledge management generation and championing of ideas

3. Policy-Making Competency in Industry Ministries: What Particular Demands do They Face?

(a)   National-government industry departments in developed countries face some problems that are common to the civil service generally in policy-making – for example, adaptation to changing ministerial and political styles, adaptation to a 24-hour news environment, adaptation to the addition of new sources of expertise and new players in policy-making, and adaptation to changing public attitudes to, and demands of, civil servants.

(b)   However, industry departments also face more specific problems in policy-making (or at least problems that manifest themselves in a particular form). Policy tools that served them well in earlier eras – notably, various forms of corporatism – are decreasingly useful in an era of internationalisation and radical industrial restructuring. The growing internationalisation of standard-setting in economic and trade policies put national industry ministries in the position of intermediaries between the international standard-setting bodies and the other parts of government (often regional or local government) that actually implement industrial policy, putting a premium on effective networking among those levels. Membership of the European Union presents such problems in a particular form for the German and UK cases. And developments in the 'knowledge economy' produce new interconnections between industrial, educational, cultural and other kinds of policy that require capacity to traverse over departmental boundaries that have not been crossed in the past. And industry departments, at least in the three cases investigated here, operate in a climate of criticism about the quality and pace of their policy work that is at least as strident -

and in at least two out of the three cases far more strident - than they faced in the 'glory days' of their past.

(c)   One particular issue that challenges the policy-making competency of civil servants in contemporary industry ministries is the ability to connect expertise to policy making in conditions in which 'best in world' expertise is typically not available in-house within the organization and may not even be available in the national community of scientific or policy expertise. Furthermore, traditional patterns of consultation with business and industry are undermined by international developments, for example, because of the internationalisation of market actors or the merging of industry sectors. Energy mix policy is an example of such developments, and the same goes for telecommunications policy as new players enter traditionally stable markets dominated by one or a few key national players.

4.   Some Types of Policy Problems and the Demands They Make on Civil Service Competency

(a)   We were told by many civil servants that the policy problems they faced came in many different forms, and often mutated from one form to another. In some cases, they told us, there are relatively clear political parameters within which policy has to develop, but in other cases the scope of possible action is much less clear-cut. Some policy cases involve much higher levels of conflict than others, and some involve more technical complexities than others. Some policy problems are 'owned' by a single department, while others are owned by many or none.

(b)   In the light of those observations, we distinguish here between four broad types of policy problem. At one end of the scale of competency challenge to civil servants we identify cases of what we call 'policy stretching' in which the underlying level of conflict is relatively low and the institutional or stakeholder environment is relatively simple. The task facing civil servants in such cases is to work within existing parameters to modify or develop an existing line of policy. At the other end of the scale we identify cases of what are commonly known as 'wicked issues', in which the level of conflict is so high that there is no effective political direction with which civil servants can work and in which the complexity of the institutional and stakeholder environment is extremely high. Many cases are likely to fall between those extremes and we distinguish two forms of the intermediate case. One is what we call 'policy resetting,' in which basic policy principles are broadly accepted, but the institutional and stakeholder environment is complex. The other, which we term 'conflict brokerage,' refers to policy problems in which the institutional and stakeholder environment may be more or less complex, but basic policy principles are heavily contested.

(c)   This broad typology, summarized in the table below, is drawn from what civil servants told us about the variety in their work. The typology is limited in several ways and naturally there is scope for disagreement as to how to place particular cases. However, to the extent that these distinctions are robust, we might expect those different types of policy problem to demand different types and mixes of the policy competencies that we discussed earlier. Our expectation, which is summarized on the table, is that as we move from the left to the right-hand side of the table, progressively greater demands are likely to be made on negotiation skills and 'political' capacity by civil servants, and that we would expect those demands to be reflected in the

competency profiles of the policy teams selected to work on those issues, in terms of background, substantive knowledge and social or behavioural abilities.

	Policy Stretching	Policy Resetting	Conflict brokerage	Handling 'wicked issues'
Degree of underlying political & social conflict	Limited, though bureaucratic politics and tensions during production process may be strong	Fundamental policy principles largely accepted	Fundamental policy issues inherently contested	All aspects of policy take place in highly contested and politicized environment
Complexity of institutional and stakeholder environment	Limited, potential involvement of more than one government organization	High, given strength and diversity of organized interests outside government	Medium, but involvement of multiple stakeholders	High, no single minister/department able to control issue definition or search for solutions
Some key demands on civil service competencies	(1) Grasp of policy history and feedback from implementation; (2) grasp of government process and policy context; (3) networking capacity across department and government; (4) project management capacity	Plus (5) greater capacity for negotiation, conflict management and consultation within and outside government	Plus (6) greater capacity to muster and manage expertise over conflicting knowledge claims	Plus (7) Greater political experience and enhanced capacity for autonomous policy activity
Examples	2001 British competitiveness White Paper	(2000 DTI/DCMS Communications White Paper, not included in this paper)	1998 German competition policy change; 1999 Japanese electricity deregulation	2000 German energy policy; Energiedialog; 1999 Reintroduction of Holding Companies in Japan

5. Competency and Policy-Making Investigated in Three Industry Ministries (METI, DTI, BMWi): Cases, Expectations, Findings

(a) The three organizations investigated were all national industry ministries with a substantial number of civil servants engaged in policy work relating to various initiatives and programmes affecting business and industry, though the detailed responsibilities of those organizations differed across the three countries, their organizational profile in staffing and spending was different, and they operated in substantially different political and constitutional structures. Each of the three organizations had a relatively long history and a tradition of 'past glories,' and each was faced with the problem of adapting to new ways of working, new political demands, industrial structures and international economic regimes. The Japanese

METI (established in 2001) derives from the world-famous MITI (itself a product of a merger between the Ministry of Commerce and the Trade Agency after the Second World War) that was once an international byword for effective industrial promotion and was famously taken by Chalmers Johnston to be the epitomy of the East Asian developmental state. The German BMWi also has the reputation of being the bureaucratic powerhouse behind the post-World War II German 'economic miracle' and of being the institutional 'conscience' of Ludwig Erhard's famous vision of the federal republic of Germany as a 'social market economy.' The British DTI has no equivalent miracle-working reputation, but it is descended from the historic Board of Trade that set the framework for the British model of liberal capitalism up to the twentieth century, as well as newer entities less prominent in the bureaucratic hall of fame, such as the 1960s Ministry of Technology. All of these three organizations were facing a more challenging policy climate in the 1990s and criticism about their appropriate role and function, so the question of competency could be said to be particularly apt. The following table summarizes the size and budgets of the three departments.

	BMWi (BMWA)	DTI	METI
STAFF (without agencies)			
Total in 2001 (2003)	1,700 (1,498)	4,705 (4,990)	2500 (in 2003)
Senior in 2001 (2003)	123 (182)	201 (214)	1000 (in 2003)
Per cent of all senior-level civil servants in central departments	9.4 (11.96)	5.6 (5.9)	
BUDGETS			
Total Budget (2003)	€7,308m (€18,754m)	€5,658m (€5,478m, estimated outturn for 01/02)	
Payroll Costs (2003)	€80.2m (€89.2m)	€363m (€352m, planned for 02/3)	

(b) The method of investigation consisted of tracing the 'biography' of selected policy documents (2 for each case) to explore the process by which those documents were written, who contributed to writing them and how, and what skills, knowledge and social or leadership behaviour on the part of civil servants went into their production. We also interviewed a range of informed participants and observers to get an assessment of the quality of the finished product against the known political constraints. This document-biography approach, which has not to our knowledge been used in this way before, enabled us to assess what aspects of competency in the synthetic framework devised earlier (see 2 (c)) were contributed by the policy teams working on each policy problem, and so see how far that competency profile matched the expectations that were discussed earlier (see the previous section, 4 (c)). It also gave us a basis for assessing the official competency frameworks that the departments were using, in the UK and German cases.

(c)   We examined policy cases from two broad policy domains, competition/ competitiveness policy and energy policy.

- The March 2001 UK Communications White Paper 'Opportunities for All in a World of Change' as a case of 'policy stretching'. The White Paper sought to develop existing policy initiatives further, to provide a coherent picture of departmental activities and to include initiatives aimed at the 'old economy'.
- The 'Europeanisation' of the German competition law in 1998 (as a case of conflict brokerage), which involved a substantial conflict between BMWi and the Federal Cartel Office as well as with special interest groups. It emerged within the BMWi as a response to a debate about Germany's international competitiveness. First drafts were supported by business, but opposed by the Federal Cartel Office.
- The DTI's 1998 'Review of Energy Sources for Power Generation' was a response to political concerns regarding the decline of the domestic coal industry in the face of fast growth of gas-fired electricity generation capacity (as a further case of 'conflict brokerage).
- The German Energiedialog 2000 as a 'wicked issue' example. It involved an attempt to establish a joint discourse across opposing values and stakeholders in the face of overall uncertainty and conflict over future energy mix policy.
- The 1999 Electricity deregulation in Japan that sought to partially liberalise in the retail sector, involving conflicts between regulators, existing electricity utilities and new entrants into the market (therefore qualifying as a 'conflict brokerage' example)
- The 1997-99 reintroduction of holding companies that had been prohibited since the Second World War. It required not only the capacity to alter and draft the required legal changes, but also cross-departmental co-ordination as well as consultation with societal actors, such as labour unions. We have classified this case as a further example of 'wicked issue'.

(d)   The findings of our inquiry are still tentative, but can be grouped into three main observations (and apply primarily to the Anglo-German part of the study at present).

- First, we found that, using the template introduced earlier (section 2 (c) the competency profiles of the groups working on the policy cases in the DTI and BMWi were more alike than broad-gauge discussions of the differences between the two civil services might lead us to believe, although the DTI had more access to direct industrial experience than the BMWi as a result of its more flexible hiring policy.

- Second, we found that for the DTI and BMWi cases the observed variation in the team competency profiles as measured on our template was relatively small from one policy case to another, and did not match the contingency expectations discussed earlier (section 4 (c) that more complex or conflictual policy cases would demand different policy competencies from other cases. That finding may suggest that the contingency hypothesis is incorrect or that the competency qualities have not been satisfactorily captured in the research method. But it may also suggest that the two departments were not actively selecting policy teams with competency profiles that closely matched the policy problems they were dealing with, and instead were relying on a mixture

of inertia and happenstance in the selection of policy teams. Such an interpretation was supported by other interview evidence.

- Third, we found that the production function and 'value-added' by civil servants to the policy documents we investigated was not satisfactorily described by the behavioural qualities listed in the UK competency framework, although that framework certainly captured part of the process. The frameworks did not address issues of consultation, the importance of drawing on expert advice, the ways in which to organise a policy team that drew on a diversity of competencies (a process that relied on informal knowledge in the DTI) or on dealing with difficulties in communicating with political advisors or ministers. Furthermore, it was far from evident that the different frameworks were embedded in the 'standard operating procedures' of the different industry ministries. The METI case studies also pointed to the significance of policy analysis and social consultation (holding company case and electricity deregulation) and information gathering (relevant in particular in the case of electricity deregulation). Such requirements were recognised in the METI framework of 'six abilities'.

6. Some Policy Implications

This study is limited in several ways, it was financed on a shoestring, and more work is needed to deepen and refine the approach. But at least three policy implications seem to merit some attention (and have not been addressed since the initial research in Germany and Britain).

(a) The official competency frameworks used in both the UK and German cases appeared to be over-individualized, stressing the importance of individual behaviour rather than putting the spotlight on organizational or team competencies in policy-making, and how to select teams with the appropriate mix of competencies. The individualized approach fitted more easily with traditional appraisal routines (and with individualized pay in the British case), but arguably it runs the risk of exacerbating deep-seated shortcomings within the bureaucratic system. Informed critics of policy-making processes in both the DTI and BMWi tended to identify the most serious weaknesses as lying in organizational processes and teamwork rather than the quality of individuals, yet the official competency frameworks effectively side-stepped that issue.

(b) The official competency frameworks in both the UK and German cases appeared to be the product of a process that seemed both self-referential and methodologically questionable. They did not rest on careful analysis of the production function of particular tasks as closely observed, and reason back from that analysis to an inductive account of the competencies involved in policy-making and other tasks, but rather on wish-lists about the qualities of admirable civil servants drawn from hand-picked focus groups. The did not focus on the kinds of tasks that make work in an industry ministry different from management work generally, and particularly on the outward-facing aspects of the work of policy-making civil servants, particularly in the public-sector-specific problem of fair and effective consultation with industry over policy changes. They tended to take expertise for granted, but as noted earlier all the technical expertise for handling a policy problem is rarely found within government

(and arguably the proportion of in-house expertise may well fall). Indeed, many of the more dramatic policy failures in government tend to occur when civil servants misjudge where the best kind of expertise is located or do not handle it effectively. Competency frameworks pay little attention to that kind of problem and separate departmental (and civil service wide) frameworks, codes of practice and initiatives neither addressed these issues nor connected to the central competency framework.

(c) The particular language of competency and competency frameworks that were applied to European and other states in the 1990s (and the US boom in competency frameworks in business that preceded it) were in part a classic instance of the ephemeral fads and fashions that sweep through public administration, fuelled by consultants looking for markets and used to tackle particular political problems at a given moment. There is a strong element of 'mimetic isomorphism' about the various competency frameworks that were developed, often by the same consultancy firms, for the higher civil services in several states. But at another level competency is a deep-seated and enduring problem in public administration that is part of the more general 'bargain' between civil servants and other actors in the political system about their respective roles and responsibilities. The danger with the competency framework approach is that (like so many other reform initiatives before and since) it becomes turned by familiar bureaucratic processes into another tick-box exercise, with mechanical application that leads only to a weak form of first-order change rather than an opportunity to re-think structures and processes in a radical way. Even or particularly if, as is likely on the basis of past experience, that is what happens to the current crop of competency frameworks, the competency problem will not go away either in public administration in general or in industry ministries in particular. But if policy-making competency is to mean anything in the civil service, the formulation of such competencies needs to rest on carefully grounded research, not platitudes and wish-lists, and needs to be linked with realistic ways of assessing the quality of policy.

7. If You Want to Know More

The following sources give more information about our work:

C. Hood, M. Lodge and C. Clifford (2002) <u>Civil Service policy-making competencies in the German BMWi and the British DTI: a comparative analysis based on six case studies</u>, London, Industry Forum
The main report is also available on:
<u>http://www.lse.ac.uk/collections/CARR/documents/civilServicePolicyMakingComprt rncies.htm</u>
C. Hood and M. Lodge (forthcoming/2004) 'Competency, Bureaucracy and the Orthodoxies of Public Management Reform: A Comparative Analysis' <u>Governance</u>.
M. Lodge and C. Hood (forthcoming/2003) 'Competency and Bureaucracy: Diffusion, Application and Appropriate Response?' <u>West European Politics</u>, vol 26(3): 131-152.
C. Hood and M. Lodge (2003) 'Aesop with Variations: Civil Service Competency as a Case of German Tortoise and British Hare?' manuscript.