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Observations by Reputability LLP

to the

Public Administration and Constitutional Affairs Committee

as to

The attitudes and behaviours that determine the effectiveness of the Civil Service in delivering Government policy and how well the Civil Service learns from success and failure;

and

The Civil Service's collective capabilities and civil servants' individual skills, including its leadership and governance

Summary

1. Reputability is a leading expert in behavioural, organisational and reputational risk. Two of its partners, Anthony Fitzsimmons and Professor Derek Atkins, the authors of this note, wrote the book “Rethinking Reputational Risk: *How to Manage the Risks that can Ruin Your Business, Your Reputation and You*” (2017).
2. We address issues related to learning from success, failure and experience before touching on issues around leaders’ knowledge, skills and experience and outsourcing. These are discussed extensively and systematically in “*Rethinking Reputational Risk*”.
3. Failure to learn wastes prodigious amounts of money, as the same old mistakes are repeated time and again. The Civil Service will continue to suffer repeated failures, many of which will be costly, unless both it and politicians change their attitude to errors.
4. We believe the Civil Service should adopt a comprehensive learning culture that runs from the bottom to the very top of the service. To make this effective, it is crucial to identify and deal with all the behaviours, culture and incentives at all levels, right up to Permanent Secretaries and Ministers that have the potential to undermine an effective learning culture. Learning cultures are hard to establish but easy to destroy.
5. Parliamentarians have an important part to play as some of their current behaviour patterns create a climate that is hostile to learning cultures. We recommend that that parliamentarians analyse and consider:
 - a. the consequences of their own culture and practices on the ability of the Civil Service to adopt a learning culture; and
 - b. how to hold governments to account in a manner that encourages, and does not undermine, development and maintenance of a learning culture.
6. Failure to remember seems rife. We have been told of widespread losses of departmental memory, skill and knowledge due to the culture of frequent rotation of fast-track staff and inadequate departmental IT systems.
7. Skills, knowledge and experience still seem to be regarded by Civil Service leaders as less important than intellectual prowess. Our studies of failure are littered with examples of intelligent, well-intentioned leaders whose failure stemmed, often to a substantial extent, from a lack of skill, knowledge or experience relevant to their responsibilities.
8. Outsourcing is an area that seems set to become increasingly problematic for this reason. Outsourcing by a team that lacks practical understanding and experience of the field being outsourced is a recipe for regular failure in the absence of good luck.

Analysis and Discussion

Introduction

1. Thank you for inviting us to make this Submission. PACAC has asked multi-faceted questions. We will address learning from success, failure and experience before touching on issues around leaders' knowledge, skills and experience and outsourcing.
2. Reputability is a leading expert in behavioural, organisational and reputational risk. Two of its partners, Anthony Fitzsimmons and Professor Derek Atkins, the authors of this note, wrote the recent book "*Rethinking Reputational Risk: How to Manage the Risks that can Ruin Your Business, Your Reputation and You*" (2017), a comprehensive analysis of the behavioural and organisational risks that lead organisations run by humans to fail. We are also two of the four authors of "Roads to Ruin" (2011) the Cass Business School report on the causes of failure for Airmic (the London-based association for practitioners of insurance and risk management).

Learning from success and failure

3. To err is human. Popeⁱ thought that to forgive was divine. We believe that to learn from mistakes, especially the mistakes of others, is better still. We recommend that the Civil Service ("CS") sets out to achieve a culture of learning from successes and failures.
4. Achieving such a culture would save money and careers. It would also represent an outstanding CS achievement in terms of leadership and management. However such a change cannot be achieved without changes the environment in which the CS operates, which includes the culture and practice of UK parliamentary politics.
5. A system that delivers comprehensive learning from successes and failures begins with the dissection, to real root causes, of all successes and failures.
6. People are general happy to report successes; and severe failures tend to be publicised. But for every dramatically bad outcome there will be dozens of bad or poor outcomes and near misses that are not reported, ignored or actively covered up. A major challenge is systematically to find these so they can be analysed and lessons learned and disseminated.

Lessons from Aviation

7. The model should be based on the successful learning culture that prevails in commercial aviation. Commercial aviation is an outstanding success in 'learning from experience' through implementing a so-called "Just Culture" throughout aviation. This has been summarised by the Civil Aviation Authority as:

*"Just Culture is a culture that is fair and encourages open reporting of accidents and incidents. However, deliberate harm and wilful damaging behaviour is not tolerated. Everyone is supported in the reporting of accidents and incidents."*ⁱⁱ

8. In his book "Aviation Psychology" (1980) Stanley Roscoe wrote that the then common finding of 'pilot error' by aviation investigators was "in no sense an explanation of why the accident occurred" but merely "the substitution of one mystery for another". Root cause analysis blossomed in aviation, often uncovering cultural, behavioural, hierarchical, managerial, leadership, regulatory, structural and other root causes for accidents. These were often systemic risks – risks imposed on pilots by the environment in which they worked – and it is by doggedly addressing these systemic risks that aviation has become so safe that the risk of a major air accident over South West London is barely an issue in the Heathrow Third Runway debate.
9. Aviation accepts that to err is human; so the industry sets out to collect information about minor mishaps and accidents and near misses, as well as major accidents, in order to analyse their root causes and disseminate lessons throughout the industry worldwide.
10. The system depends on the open, largely voluntary reporting of minor accidents and near misses. These events, which hugely outnumber major accidents, are often readily ignored or covered up in other walks of life. But the culture of openness and self-reporting is so well embedded in aviation that a large proportion of these are reported.
11. The CAA summary of the 'Just Culture' ends with the words:
"Everyone is supported in the reporting of accidents and incidents"
These are crucial. Error is treated as the normal human activity it is. Those who make errors are not blamed (except as regards "*deliberate harm and wilful damaging behaviour*") but supported. Such a culture cannot be developed, let alone survive, without systematic support that begins at the highest levels.

12. Through the Warsaw Convention (see Appendix), the aviation community makes strenuous efforts to avoid anything that might discourage future free and frank flows of information about accidents and incidents. The Convention seeks to separate learning from blame and other sanctions.
13. Translated to individual organisations, it is a fundamental prerequisite of a learning culture that subordinates at every level have complete trust in leaders, at every level, that leaders will welcome all important information, including criticism and the worst of news, without recrimination or sanction, excepting only cases of *“deliberate harm and wilful damaging behaviour”*.

Bringing a Learning Culture to the Civil Service

14. In the context of the CS, ‘leaders’ includes Permanent Secretary and Secretary of State, as well as politicians who set the climate in which Ministers operate. The parliamentary culture includes an often party-political ‘blame game’ that creates a climate in which a learning culture is exceptionally difficult, verging on impossible, for Ministers or Permanent Secretaries to achieve.
15. This is not to suggest that the Opposition and the Public Accounts Committee (“PAC”) should cease to hold governments and the CS to account. Rather we believe that the form of engagement should be refined and developed so that it provides incentives to adopt a learning culture.
16. Questions destructive of learning cultures can be avoided. Questions re-focused on root causes, system failures, early warnings missed and lessons not learned from past experience, can be penetrating and uncomfortable; but they also provide healthy incentives to focus managerial and leadership attention on dealing with root causes, system failures, listening for early warnings of trouble and learning from experience. John Seddon’s *“Systems Thinking in the Public Sector”ⁱⁱⁱ* and James Reason’s *“Human Error”^{iv}* will inspire many effective lines of questioning, as will our own *“Rethinking Reputational Risk”^v*.

Learning from Success

17. Learning from success is nuanced. As Nicholas Taleb observed in *“Fooled by Randomness”^{vi}* we tend not to evaluate the extent to which our successes are due to luck. Encouraged by the self-serving bias, we tend to put our successes down to skill and our failures to bad luck.

Apparent success may mask unacknowledged near-misses and so-called 'minor' failures that reflect major systemic weaknesses, combined with luck. Those systemic weaknesses will eventually cause what may be catastrophic failures when luck runs out.

The Role of Leaders

18. Another insight from our research concerns the importance of leaders. Leaders are more important than they suppose because they set direction, the system and the climate. The more senior the leader, the greater their influence, for good or for ill.
19. Leaders lead by words and by behaviour. Subordinates know that words are cheap – and that their leader's 'real' intentions can better be gauged from leadership behaviour, character and incentives. Thus when it comes to leaders, it is crucial that they back words by living according to their messages.
20. Applying this to achieving a learning culture, this means that leaders must demonstrate by their actions that they truly want a learning culture and understand the implications.
21. Thus, for example, leaders at all levels, including Permanent Secretaries and Ministers, should:
 - encourage challenge;
 - listen constructively to criticism of all kinds from wherever it comes;
 - thank those who deliver unwelcome news or self-report honest errors;
 - treat those who make mistakes fairly, taking a constructive and 'Just' approach to those who make mistakes;
 - offer and accept training, mentoring or counselling as appropriate;
 - investigate errors to root causes and disseminate lessons so learned;
 - highlight their own errors, and analyse them as rigorously as they do the errors of others, disseminating lessons just as widely;
 - investigate the extent to which their successes are due to luck and
 - systematically put risks from individual and collective human behaviour on the risk register, including risks from leaders themselves.
22. Equally, they should never:
 - show any reluctance to receive challenge;
 - provide any disincentive to the bringers of criticism or bad news;

- shoot messengers;
- cover up mistakes, especially their own;
- impose sanctions on those who make honest mistakes; or
- behave in a manner that suggests that the learning culture does not apply to them.

23. It follows that any attempt at adopting a culture of learning from success and failure is likely to fail unless Ministers and the Civil Service, supported by PAC and PACAC, adopt, explain and support, by behaviour as well as words a culture that:

- welcomes challenge to all and from all
- is just, welcoming news of errors and things going wrong without recriminations (except in the rare cases of “*deliberate harm and wilful damaging behaviour*”);
- eliminates disincentives to subordinates, including even a perception of reduced availability of promotion, interesting jobs, career progression and other desirables
- investigates failures at all levels to root causes, wherever that goes, even if it goes to Permanent Secretaries or Ministers

24. For success, Permanent Secretaries must regain the habit of telling ministers what they really think, forswearing ambiguity, sophistry and the like. Equally ministers must accept that a role of Permanent Secretaries is to provide challenge and honest practical advice as well as support, telling Ministers their true opinions, accepting that this is essential to an effective Civil Service.

25. Ministers are of course free to accept or reject advice; but this should be an open process. There should be far greater use of Letters of Direction in such cases to make it clear how the decision was made, by whom and why. Without such openness, lessons will never be learned. It follows that the convention that prevents disclosure of CS advice to ministers should give way when errors are investigated by PAC and the NAO, whose analyses should extend, dispassionately, and apolitically, to ministers’ roles in errors.

26. A system for dissecting and disseminating errors reported before bad consequences have occurred that also provides a degree of anonymity should be considered. UK Air Accident Investigation Branch monthly reports^{vii} illustrate the end result of such an approach.

The Orange Book

27. We also recommend that PACAC and PAC ensure that the Treasury's Orange Book on risk management is extended to include behavioural and organisational risks and the management of errors in a learning culture.

Loss of Experience

28. In the course of various discussions we were told that there is a serious and widespread problem of loss of departmental memory of past experience. This results from a combination of rapid turnover of ambitious staff and inadequate, siloed IT systems that are difficult to search for previous experience. Loss of corporate memory leads to avoidable mistakes. A department, or public service, that is incapable of learning from its own past is likely to be seen as incompetent.

Skills, Knowledge and Experience

29. In 2015, the Economist reported^{viii} that "the cult of the gifted amateur [still] prevails" in British leadership. So far as the Civil Service is concerned, this is despite Lord Fulton having identified this as a problem of Civil Service leaders in his Report of 1968. Baxendale (2014)^{ix} described the Civil Service as seeing itself as "the Rolls Royce" showing "resistance to change and a closed mentality", which may explain why Fulton's recommendation has not been implemented.
30. This matters. Dissection of major mistakes shows that lack, at leadership levels, of the skills, knowledge (including sectoral) and practical experience (SKE) needed to run the particular organisation's business is a regular root cause of crises.
31. Analysis of data provided by the Cabinet Office in 2011^x showed that whilst Civil Service fast track entrants show considerable diversity of degrees and backgrounds – and no doubt in perspectives too - diversity collapses as you rise up the pyramid. Thus to take but one dimension, at Permanent Secretary level, 2011 FOI answers revealed that only two of 42 Permanent Secretaries had STEM degrees.

32. A mystery worth investigation to root causes is why STEM graduates desert the Administrative stream of the Civil Service despite Lord Fulton's 1968 advice that scientists and engineers should be given more training and responsibility in management and policy spheres (Chapter 1 para 17 on page 12).

33. Plausible hypotheses for investigation include:

- Bias, conscious or unconscious, by Civil Service leaders against those who are not what is pejoratively known as "people like us" – for example "only scientists and engineers" or "boffins" rather than however Permanent Secretaries collectively describe themselves.
- Those who do not fit with the culture, background and behaviours of current Civil Service leaders are seen as 'unsuitable for leadership'. Fulton seems to have found this in 1968. The continued lack of STEM graduates among CS leaders is striking and speaks volumes as to CS culture, something commented on by Baxendale.
- Those who have a STEM background are rejected because they ask relevant but difficult questions
- Those with a STEM background have an ethos of making decisions based on evidence but find it intolerable to work in a climate that pays scant regard for evidence. This may be what Baxendale called "ambiguity^{xi}" and others have bluntly described as a quest for "decision-based evidence".
- There may be a political dimension. It is regularly reported that potential Permanent Secretaries see the ability to be 'ambiguous' with political leaders as crucial to promotion; and from lower down we have heard it reported that your career will suffer if you contradict the minister's political line even if you have good evidence – you risk becoming seen as 'awkward' and are side-lined by your superiors and ministers for interesting work. Ambiguity and politicisation undermine learning cultures because they sweep under the carpet potentially sound reasons for making a different decision, suppressing openness, challenge and critical thinking.

Outsourcing

34. Outsourcing a function that the public regards as one of “your” functions leaves you retaining responsibility in the public’s eyes when things go wrong, but with reduced control.
35. Outsourcing is typically done to save money by stripping out sectoral expertise and buying it in when needed. Ashridge Business School once called this fashion the “Corporate lobotomy”. To illustrate their point, they told the tale of advice given to rangers responsible for conserving a successful herd of elephants that had grown too large. They followed advice, to cull the old females who were past breeding. All went well: until there was a drought. Then it was discovered that in losing its elderly females, the herd had lost its memory of where to find water in dry conditions. The herd collapsed.
36. Outsourcing continues to grow in local as well as central government, stripping away skill, knowledge and experience in a manner reminiscent of what happened at BP before it failed^{xii}. As John Manzoni put it^{xiii}, BP under Lord Brown had “absolutely obliterated” the wealth of technical expertise that BP inherited from Amoco, having previously cut its own in-house technical expertise in a fashionable journey to lean-ness and outsourcing.
37. Just as we are confident that this loss of internal expertise was also a root cause factor in creating the systemic weaknesses that led to BP’s Texas City explosion, we believe that the Civil Service cannot outsource effectively without adequate SKE of the subject matter, and not just of outsourcing techniques.
38. Departmental residues of SKE remain but these will die out if not replaced. It is no substitute to bring in outside experts. Without a sufficient degree of internal subject expertise, it is impossible to do more than rely on the reputation of those experts.
 - Without sufficient internal expertise it is impossible reliably to identify charlatans or biased or half-baked perspectives.
 - There are plenty of ‘experts’ with strong incentives to lean in particular directions. These are often not obvious to the inexpert – until it has all gone wrong.
 - The notion that the CS (or anyone else) can discern truth through listening to opposing views and applying intelligence without sufficient relevant knowledge and experience is a

dangerous, apparently widespread, delusion. Such an approach leaves the CS blind to truths that the opposing parties do not choose to impart as part of their arguments.

Concluding remark

39. We have compressed our observations. We will be happy to elaborate points in discussion with the Committee.

Appendix

Annex 13^{xiv} to the Warsaw Convention on Civil Aviation. We set out the provisions in the Appendix. on investigating air accidents, provides:

“5.12 The State conducting the investigation of an accident or incident shall not make the following records available for purposes other than accident or incident investigation, unless the appropriate authority for the administration of justice in that State determines that their disclosure outweighs the adverse domestic and international impact such action may have on that or any future investigations: a) all statements taken from persons by the investigation authorities in the course of their investigation; .. “

noting:

“Information contained in the records listed above, which includes information given voluntarily by persons interviewed during the investigation of an accident or incident, could be utilized inappropriately for subsequent disciplinary, civil, administrative and criminal proceedings. If such information is distributed, it may, in the future, no longer be openly disclosed to investigators. Lack of access to such information would impede the investigation process and seriously affect flight safety.”

The Annex recommends: *“Any judicial or administrative proceedings to apportion blame or liability should be separate from any investigation conducted under the provisions of this Annex”* (Article 5.4.1)

ⁱ Pope (1711) Essay on Criticism

ⁱⁱ <https://www.caa.co.uk/WorkArea/DownloadAsset.aspx?id=4294970940>

ⁱⁱⁱ Triarchy Press (2008) ISBN 976 0 9550081 8 4

^{iv} Cambridge University Press (1990) ISBN 0 521 31419 4

^v Kogan Page (2017) ISBN 978 0 7494 7763 3

^{vi} Penguin (2004) ISBN 978 0 141 03148 4

^{vii}

[https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/590227/AAIB Bulletin 2-2017.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/590227/AAIB_Bulletin_2-2017.pdf) is an example of such a report. The report on G-COBO is an example of an incident that could have been 'swept under the carpet' by the pilots.

^{viii} 'The End of the Accidental Boss' The Economist 28 November 2015

<http://www.economist.com/news/britain/21679215-business-gets-serious-about-running-business-end-accidental-boss>

^{ix} Catherine Baxendale (2014) 'How to best attract, induct and retain talent recruited into the Senior Service'

^x http://www.reputabilityblog.com/2011/01/are-civil-service-leaders-competent_24.html

^{xi} Baxendale at 2.4

^{xii} See Texas city Case Study, "Rethinking Reputational Risk" at page 145

^{xiii} John Manzoni, Interview by Bill Bonse 7 July 2006

<http://www.texascityexplosion.com/etc/broadcast/files/ev5/BONSE--Manzoni.%20John.pdf>

^{xiv} http://www.emsa.europa.eu/retro/Docs/marine_casualties/annex_13.pdf