

Ministers should get out of Management

Despite successive efforts and good intentions to improve performance in the public sector, the UK Government has yet to succeed. It is a problem of method. Public sector performance improvement in the UK has meant creating specifications - targets, standards and other requirements - and inspection for compliance. It appears plausible: say what you should do and then ensure people do it. But what if the specifications are wrong, what if implementing them makes performance worse?

The UK has seen the growth of what is now an enormous specifications and inspection industry, but does it add any value? It has succeeded only in demoralising public sector workers, and to such an extent that they are leaving their jobs in droves. A recent Audit Commission report put this exodus down to stress, and the primary cause of stress is the performance management regime created by Government.

Why do ministers like targets?

Ministers think targets motivate. They do - they motivate people to be seen to making their targets. This is not the same as being motivated to do a better job, to improve the work. The targets regime inculcates a culture of fear, fear of being paid attention to. To avoid being paid attention to, people do whatever it takes. It is now well known and acknowledged even by Ministers that people in our public services have used their ingenuity to survive the imposed regime. In simple terms this means cheating.

Government Ministers maintain that the 'cheats' are few and promise to find them out. Now people in our public services have something else to worry about. The Government line misses the point. Cheating is an inevitable response to the targets regime; it is a systemic phenomenon, understandable and predictable. Government Ministers should be reminded of the Japanese management dictum: 'The fish rots from the head'. People 'cheat' because their measures bear no relation to their work; the measures serve what is to them a pointless bureaucracy with a threatening demeanour. The change that is required is to develop measures that are useful in understanding and improving the work. It will mean an end to the specifications and inspection industry, and that will be a massive saving for the public purse.

There is no evidence to show that public sector performance is improving and plenty of evidence to show it is not. Government Ministers now acknowledge targets are not working, so what do they do? Do they question the value of targets? No, they impose fewer. To do less of a wrong thing is to change nothing. It does not improve anything because the idea of targets is itself flawed. Targets maintain a perverse perspective on work; perverse because the measures employed are not connected to the way the work works.

Deming taught that targets are, by their nature, arbitrary. He showed the importance of using measures to understand and, hence, improve the work - targets are no aid to understanding or improvement. To improve you do need measures, but to take a constructive perspective on measurement requires a complete change of mind-set amongst Ministers. It is an enormous and radical shift. It is enormous because it would lead to a dismantling of the bureaucratic infrastructure that has been developed over recent years. It is radical because it starts from an entirely different view about the role of measurement in an organisation.

There is a better way

Take, for example, housing repairs. Government has imposed a series of Best Value Performance Indicators for housing repairs - essentially the percentages of repairs achieved within standard times. Over the last year we have worked with a number of housing repair organisations in local authorities and housing associations and found much the same things. Firstly you find that the organisations are achieving their BVPIs. But you only have to scratch the surface to discover that response times are being 'cheated' - jobs are closed and re-opened, new jobs are created if a job is running on too long and so on, people use their ingenuity to be seen to be on target in a variety of ways. It is a tragedy that their ingenuity is not engaged in improving the work.

Learn from variation

When you look at the time to effect repairs from the customers' point of view you see a completely different story. In every case we have found the end-to-end time to effect repairs to be a long time - sometimes with average times as high as 100 days - and showing high amounts of variation. In general these systems are not very stable. These systems are testament to Deming's lesson that 'tampering' leads to increasing instability. Management's measures and, hence, their actions are focussed on the wrong things. They tamper.

Managers, if they are to improve this system, need to measure from the outside-in. When we learn how to do this we discover the internal measure of repair time to bear no relation to the customers' view of a repair. To a customer a broken window is a broken window, to a repairs organisation it can be as many as four separate trades, hence four jobs all with their own target times.

Measuring the customers' view of end-to-end repair time in this way it is an example of what Deming taught; it is a capability measure. It can be used to understand the work and, moreover, track improvement. The measure tracks achievement of purpose from the customers' point of view; it also tells you the amount of variation in your system and, hence invites people to ask why - what accounts for variation?

Government interference causes variation

There are many causes of variation in housing repairs systems. It is disturbing, however, to find Government behind one of the biggest causes. Government have specifically encouraged the creation of call centres for service access. The consequence is customers - who don't know about, say, toilets - talk to call centre operators - who don't know about toilets. Then the call centre operator specifies the work to be done, typically using a schedule of rates (job specifications and prices) and may make an appointment.

Because tradesmen's earnings are directly affected by the jobs they do (the schedule of rates), tradesmen need - indeed, are incentivised - to make changes to the specifications they have been given, for they at least know about toilets. They will also make choices about which job to do first. Their focus is on maximising earnings. The consequences, in terms of keeping appointments, are obvious. But there are worse consequences. Elsewhere in the system you find cottage industries re-working job specifications, re-working tradesmen's pay, re-scheduling visits and re-working information put into the IT systems. Because everything is being changed, managers feel it all needs to be checked, hence you

also find an inspection and reporting industry. In an effort to manage costs, the whole system is built on cost management ideas. Costs go up - managing costs causes costs. The costs of the management factory are considerable, but the big costs are in the failures of the services to improve. Bad service costs more.

It is tragic that one of the highest costs is Government-inspired. Because of the problems with 'diagnosis' and 'access', there are high levels of what I call 'failure demand' - demand caused by a failure to do something or do something right for the customer - on the call centre. Customers are progress-chasing or, for a variety of reasons, are having to make calls they would not have to make if the system worked properly. It is all waste and it is all designed in. It can consume the majority of the call centre agents' time.

Of greatest importance is that all of the things I have described here are things managers usually cannot see, their view being limited to the measures, dictated by Government, that constitute their means for managing. To ignore failure demand is to ignore one of the most powerful opportunities for improvement - improving service and reducing cost. Management's measures and government advice ensure it remains unseen.

Government interference increases

As Government has become more and more frustrated with the lack of improvement in public services, they have taken a more direct hand in specifying how work should be done. We have seen the growth of 'delivery' units that specify how work should be done. There are many. They are making things worse. Let's take the case of housing benefits.

Following a well-publicised fraud, Government and its agents decided to tighten up the benefits payments regime. Firstly Government issued guidance on the way work should be controlled (called the 'Verification Framework') and subsequently it has issued guidance on how the various functions and activities should be performed, measured and monitored. The Department of Work and Pensions Housing Benefit Performance Standards represents a performance management regime. It specifies how the work should be done and then controls compliance to the specification through inspection. But, as with housing BVPIs, the specification is flawed.

The consequences are now becoming evident in local authorities across the UK. Government-inspired changes have created a standardised but flawed approach. It is raising costs and demoralising workers. Everyone working in benefits payments has felt obliged to follow the prescriptions from the centre. By complying with the guidance, assessing themselves and making plans for 'improvement', local authorities can get additional funding - money is chasing the implementation of poor guidance. To be able to demonstrate compliance requires the establishment of a monitoring and reporting bureaucracy that has little bearing on how the work works. To 'know' what you are doing is not helping you achieve your purpose is demoralising. I shall describe how the Government prescription makes the work worse.

The standard design separates 'front office' from 'back office' work - the front office deals with customers and the back office processes the benefit claim. To process a benefit claim you need entitlement information and proof of circumstances information. Naturally, most customers do not turn up with everything that is required on their first visit (typically as many as 90% of customers fail to bring

everything that is needed to process a claim). The front office staff are told to serve the customers within standard times and send information to the back office for processing. To enable the front and back offices to connect, many local authorities have bought a document imaging system; managers have been persuaded by IT suppliers that this will aid conformance to the specification. Government guidance also promotes the use of document imaging. It is a mistake, the organisation design creates inventory: part of the information required for decision-making sits in a computer. When the customers return - as most will have to - there are problems with re-working information already provided, matching up additional information with previously-sent information and even then many customers may be required to provide further information - either because they have failed to provide it so far or because the document has been lost.

Errors occur because of the way the work is designed. The 'front office' to 'back office' procedures are full of handovers, inspection ('checking') and unnecessary bureaucracy - doing work that adds no value to the processing of the claim. The fact of sorting, batching and queuing work causes low levels of errors. The volume of errors is exacerbated by the focus on arbitrary measures and the fact that no one is responsible for the whole job - determining whether a claimant should get benefit and getting it paid. Each of the players is exhorted to comply with their function's standards and targets. That's how you get along. The Government guidance sets a standard for how long it takes to determine a claim, but this measure starts when 'all information is available'. It is not a customer-orientated measure. And the measure itself drives the wrong behaviour: Because there are backlogs (inventory) in these systems, managers focus staff in the back office on clearing them. You can get a case out of your in-tray by doing something to move it forward, but that something is often not doing what is needed to get it determined and paid.

Design against demand

Benefits processes are easily improved. The object of the work design is to hold work at the front end of the flow to 'make it clean' before it moves in to the flow. This simple principle removes all the major causes of waste. Where this method has been applied the true end-to-end time, the average time it takes from the customers' point of view, for processing claims has fallen from as many as ninety days to as few as two days. As a corollary, the average cost of processing a benefit claim has fallen from in excess of sixty pounds to less than ten pounds. It is a simple lesson, clean flow makes for fast flow and costs fall; the Government specifications lead to very dirty, slow and costly flow.

Getting clean flow means spending the time required with customers to develop better methods for getting their information together. Managers preoccupied with response times in the 'front office' (as directed by the Government guidance) will stop this happening, they think they are saving costs where in truth they create them, for the cost of processing a benefit claim is end-to-end from the customers' point of view.

This is a challenge to management thinking

Ministers regularly express the view that public sector managers need shaking up, they believe what they call the 'delivery' regime will get people focussed. Ministers are frustrated; despite their attempts, public services are not improving. If only they could see where the problem really lies. The problem is in the way work is designed and managed and measurement is a central issue. Ministers believe in

'command and control'. They talk of 'levers', standards, targets and the like as though these things are real; Ministers are misguided and are, inadvertently, making our public service worse.

Command and control was invented a hundred years ago in the private sector. Henry Ford famously halved the cost of car production and doubled the wages of his work force. His approach was to separate decision-making from work and the principles he employed became standard management practice throughout the twentieth century. While Henry Ford's system was a great leap forward it had - and has - profound weaknesses. Ministers, like managers, have been socialised by the language of command and control - targets, standards, service levels and so on are a lingua franca that is accepted, never questioned.

Manage flow not function

Fifty years after Henry Ford, Taiichi Ohno showed how integrating decision-making with work enabled the management of flow rather than function. His ideas led to the creation of the Toyota Production System. It has out-stripped its competitors in terms of quality and cost. Public services rarely involve 'making things'; certainly nothing is made that is comparable to making a car. It has taken Toyota fifty years to develop its current system; local authorities can achieve rapid improvements when they switch from a top-down target-led philosophy to an outside-in, knowledge-based philosophy.

Housing repairs, managed as a flow, focuses not on arbitrary measures but measures that help in understanding and managing the flow of work - the type, frequency and predictability of demands (for repairs), the true end-to-end time to effect repairs, the type of materials used and the time they are in the system. Everything that is not directly concerned with repairing the house ('value work') is designed out - it is waste. In every case where we have helped the organisation design out their waste the end-to-end time to effect repairs has fallen to a few days and the costs of materials has fallen. In one case they are achieving all repairs in 48 hours - and no cheating! There is no need to cheat for the measures in use are derived from the purpose of the work and used by the workers to control and improve the work.

Similarly, when you learn you manage benefits payments as a flow, the capacity of the system increases - it becomes cheaper to process claims - and quality improves. It is as Taiichi Ohno taught: Capacity = work plus waste. To improve capacity you have to get rid of the waste. The waste created in our public services is incredible, and it is of vital importance that we recognise that it is Government that is creating the waste. Command and control management carries high costs. The costs of poor service can be calculated; the costs associated with low morale and negative customer perception can only be estimated.

In all of the cases where local authorities have followed the principles of systems thinking and gained significant improvements, the Government-imposed measurement bureaucracy has had to remain - it is mandatory. Yet it serves no useful purpose. Beyond the local authorities there is a burgeoning bureaucracy of specifications and additional monitoring and reporting. We now have a plethora of internal and external structures feeding the standards and targets bureaucracy. It is all waste. It consumes resources that do nothing to serve the purpose of the enterprise. To take a constructive perspective requires a complete change of mind set. It would not only provide value to those who do the work, it would eradicate the wasteful bureaucracy, cutting costs on an enormous scale.

The problems with the specifications and inspection regime are ubiquitous, they are caused by the system and that is the responsibility of Ministers. Ministers should either get out of their current mind-set or get out of management. They are costing us dear.

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