

8<sup>th</sup> May 2006

**To:**

Ruth Kelly MP  
Minister of Communities and Local Government  
Eland House  
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London  
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**From:**

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Dear Mrs Kelly,

I sent the following letter to David Miliband on May 2<sup>nd</sup>. As you now have his brief I hope you will take the time to read what I had to say.

In the coming weeks you will be bringing forward proposals for a new performance assessment system for local government. To many, replacing the Comprehensive Performance Assessment (CPA) framework for local authorities will seem like a big yawn. On the contrary: as you yourself recognise, the intention to put in place a system in which citizens themselves are 'empowered' to 'exercise quality control' marks a key stage in the evolution of public services — an opportunity, as you put it, to shift from treating users as passive recipients to engaging them as active partners in the creation and development of high-quality services. In your words, 'putting the public back into public services is the key to their transformation.'

You are right that the stakes are high. It is vital to get this reform right. This is why I am writing to you, and why I am doing it in the shape of an open letter.

I and my organisation, Vanguard, have a long record of successfully working with local government and other public sector organisations to improve public services, always way beyond targets and norms, often attracting the attention of inspectors who cannot believe such results are achievable. Crucially in this context, it is our experience that these improvements have been made despite rather than because of current measurement and assessment systems. At some level you must know this: the fact that CPA is to be scrapped after such a short period (it only came in in 2001 and has been constantly

tinkered with since) is an admission of failure — if it was working it wouldn't be dropped.

My concern (no, my very strong fear) is that unless we learn the lessons of this failure, we shall make the same mistakes all over again. I do not believe myself that the truth is to be found by counting heads — change should be made on the basis of knowledge and method, not consensus. Since this is the way your consultation exercise is being conducted, however, it is vital that all those organisations that have achieved the improvements that everyone wants should tell you a) why the CPA so damaging and b) what sort of regime would assist rather than hold back your aims of engagement and revitalisation, and I urge them to do so. Hence this open letter.

### **A bit of history**

Let me take you back over CPA's history. Emerging from the 2001 White Paper *Strong Local Leadership: Quality Public Services*, CPA was put forward as a framework for delivering the government's desire for councils which 'deliver high quality and improving local services and provide strong and confident leadership'. Nothing wrong with that — except that it came out of previous regulatory frameworks which had exactly the same aim. CPA was an acknowledgement that these — notably the Compulsory Competitive Tendering and subsequently Best Value regimes — by mistakenly focusing on inputs rather than outcomes and achievements had not had the hoped-for positive effect on the quality of public services. CPA therefore aimed to cut down on unnecessary red tape, and by lightening the regulatory burden was to allow authorities to concentrate on front-line service delivery.

What has been the result? You'll know if you saw the film *Groundhog Day*. It has been an uncanny replay of the past. The official view is that CPA has been successful in so far as it went but now needs revising to move performance to a new level. (Many would say that: the regulators have become so institutionalised that it is now hard if not impossible for them to step outside their role and be critical of their own part in the failure to achieve real change.) Tellingly, however, that argument becomes less and less sustainable the nearer you get to the front line. In its introduction to *CPA — the Harder Test*, published only last December, the Audit Commission claims that 'Over the last three years, council services have improved significantly, and CPA is acknowledged to be one of the catalysts for this.' On the other hand, commenting approvingly on the announcement that CPA in its turn was to be scrapped, Local Government Association chairman Sir Sandy Bruce-Lockhart noted in January that 'CPA has reached its sell-by date because it has become too bureaucratic and too focused on Whitehall targets rather than on customers and residents.' Meanwhile, in the customer satisfaction surveys that local authorities have to conduct every three years as part of their Best Value Performance Indicators (BVPIs) citizens gave an unequivocal thumbs down. As you well know, in a trend that is common across the board, in all areas of the country and across every measurable category, citizens in 2003/04 said they were markedly less satisfied with council services than they were in 2000.

## **The performance puzzle**

At first sight this is a puzzle. According to the laboriously collected performance indicators, service quality is going up. For instance, at the end of 2005 the Audit Commission found that 70 per cent of councils were ‘improving well’ or ‘improving strongly’ — of 141 county or single-tier authorities just two were not improving adequately. Your predecessor, Nick Raynsford, was aware of the discrepancy. He attempted to explain the diverging indicators by a time lag between improvement and public awareness of it; or alternatively positing that improvements were lagging behind accelerating public expectations.

A better explanation is a more literal one. People can only judge the system through the transactions they have with it. While obeying the performance indicators enables authorities to meet their targets and pass their inspections, on the front line it makes those transactions worse — more bureaucratic, more impersonal, less joined-up. This is not so surprising if you think of it this way: in the current set-up councils are responding not to citizen and public need but to specifications and requirements set by central governments and its regulatory agents. In Jack Welch’s inimitable expression, they have their face towards the CEO (the regulatory regime in this case) and their ass towards the customer. Not only are customers passive recipients: they get not what they want or need but what the regime’s architects say they can have. It’s mass-production service delivery; it is no wonder people are dissatisfied.

Of course, some councils really have improved. They have done so not by spouting abstractions but by the very practical means of looking at their services as systems and redesigning them to meet demand (there is no other way). They have thereby both raised quality and saved money — no, that’s not a mirage, cost and quality go together — or, if you prefer, they have ‘re-energised’ service delivery, given customers back control of their own destiny and, incidentally, hoisted the morale of frontline workers who are at last finding themselves doing the job they were recruited for. To coin a phrase, they have put the public back in public services. But — and this is the key point — they have done so despite, not because of, the current regime.

In today’s target-driven, name-and-shame culture it’s inadvisable for local authority chiefs to put their heads above the parapet and openly express what they think. That’s one of the problems. But you should hear what they say in private about the current regime of inspections, targets and BVPIs (I sent one of my researchers to ask for our clients’ views of CPA). For instance, ‘The council is billed £100,000 for the assessment. You might just as well burn it. For that amount of money you would want to learn a lot about how to improve yet you learn nothing you did not already know.’ The latter is a constant refrain: ‘It’s useless because it has no focus on outcomes. This means it cannot understand where problems come from.’ ‘Lots of CPA is a waste of time. Trying to draw a comparison between CPA and quality of services is meaningless.’ ‘It is not a driver of improvements from the customer point of view.’ ‘CPA is a snapshot: everything is dressed up for the occasion, but reverts to normal once it is done. It is an unrealistic picture of how the

council is performing.’ ‘Jobs are on the line and this is hard to accept when the method of assessment is rubbish. The result is that authorities play the game and cheat to get results.’

### **‘Beacons’ — or bonfires?**

Remember, these are not whingeing laggards. They are councils that have done everything you want them to. You should listen to them. If you did you would discover that they have run the risk of stepping outside the current regime and challenging their inspectors; you should not underestimate the bravery of behaving in this way. These should be your blueprints, not (I’m afraid) the officially promoted ‘beacon’ sites, which all too often are no more than expensively-funded exemplars of ideas ungrounded in knowledge or method. Unlike our sites, the beacons have no published data on efficiency or efficacy and often no measurements related to demand. They can tell you how long it takes to answer the telephone or make an appointment but not how long it takes to solve a customer’s problem end to end. When I ask for data I find that these ‘beacons’ exclude the cost of things like IT and buildings as ‘one-offs’ — try telling that to a private-sector businessman! If you look more closely at the beacons, you will find plenty of evidence of all the problems that afflict the rest of the public sector, the problems that CPA was supposed to solve but didn’t, and which you want to address with its successor: ‘best’ practice that isn’t very good, high-cost infrastructure and service levels that are nowhere near as good as they could and should be.

In this context, the continued emphasis on moving towards bigger units — shared services based on economies of scale — smacks of desperation and, worryingly, will make matters worse. As systems thinkers and practitioners have shown, the transaction costs beloved of IT vendors and the many misguided ‘benchmarking’ activities are an irrelevance. What matters is the cost of service end to end, from the customer’s point of view. Vast mass-production back- (or front-) office factories are the antithesis of the systems view; the mass production model of service delivery is the problem, not the solution, hiding waste and high cost by designing them in.

Councils are going this route, of course, because you are telling them to and that’s how they get stars (and money, or perhaps bribes would be a better term). But look what happens at the end of the process. Here’s a very specific case: ask your officials how many millions of pounds are spent on sending private-sector hit-squads into councils to bring down backlogs in benefits payments. There is no need for this — we can show you authorities with no backlogs which routinely pay benefits in end-to-end times that impress the citizens and are way better than the national average. Yet benefits backlog-busting is a multimillion business for the private sector which has been entirely created by the poor work design promulgated by the Department of Work and Pensions. You are now pursuing a much the same idea by promoting ‘partnerships’ and shared services. The big consultants and IT salespeople will be rubbing their hands with glee. In the East of England, encouraged by your department and the Audit Commission, 46 councils are discussing sharing back-office processing of benefits. There is no evidence of the value

of taking this course. On the contrary, if it goes ahead it will create a high-cost, poor quality service from which it will be hard to return.

### **CPA — theory and practice**

As we noted, CPA came about as a result of the identification of the inadequacies of the previous Best Value regime. In accordance with its aim to ‘get rid of regulations where these impede councils’, the 2001 White Paper laid out the basis of a national framework of standards and accountability, accompanied by a ‘substantial package of deregulation’. The framework was to comprise clearly defined, jointly developed priorities and exacting performance standards against which councils would be comprehensively assessed by a mixture of self-assessment and inspection. A range of incentives and tools would be used to bolster improvement, including clear and concise public information about councils’ performance; lighter-touch regulation and greater freedoms for those with the track record to use them, while failing authorities would be subject to tough action; and a ‘streamlined, proportionate’ Best Value regime.

It should be emphasized that although the BVPIs were thinned out over CPA’s short life, self-assessment and inspection are still hugely onerous processes: the last assessment comprised 94 separate BVPIs, and authorities are subject to inspection by Ofsted, CSCI and BFI as well as by the Audit Commission. According to the LGA, local authorities have to make more than 1,000 returns to central government. Needless to say, there is no evidence of the promised reduction in the regulatory burden. According to one corporate director, the supposed ‘lighter-touch’ inspection on use of resources was the ‘toughest yet. The reason given was that it was part of a developing process.’

Meanwhile, the costs associated with this regime, while difficult to estimate accurately, are large and certainly much higher than most people imagine. CPA builds in not one but at least five separate layers of waste and cost: the cost of writing the specifications and targets, the cost of inspection for central government, the cost of inspection for local government (fees, preparation for and involvement in inspection process), huge costs incurred by meeting specifications that actually make the performance of services worse, and finally the cost of damaged morale (since people on the front line know only too well that filling in forms does nothing to meet the needs of the people they are supposed to be serving). Councils confirm that on top of the fee they have to pay for the privilege of inspection (a six-figure sum) CPA consumes substantial resources in running costs — in one case: ‘4/5 staff working on it full time, at a cost of around £200,000’, another: three full time and two part time, while another took on two project managers to handle the process and hired a specialised consultancy — total cost around £130,000. In addition, ‘it’s all hands to the pump when CPA comes around — it stops people doing their normal job.’ As one council remarked, these costs can have damaging side effects on people’s lives — it could ‘no longer afford to give £2,000 to a voluntary victim support organisation which will probably go under’ as a result.

These are strong claims, but they are based on fact, and substantiated in real cases. In every public service we have worked in the targets and specifications regime is a serious obstacle to performance improvement. Two such cases — in adult social care, a notoriously poorly served sector, and housing benefit, where payment backlogs have become a source of rich pickings for the private sector — are described on our website:

“Adult Social Care: a systems analysis and a better way...” can be downloaded from:  
<http://www.lean-service.com/6-27.asp>

The problems with the DWP’s promulgated design for benefits processing and the subsequent drive by your department for ‘shared services’ can be read at:  
<http://www.lean-service.com/9-benefit.asp>

The (bad) influence the Audit Commission is having on this problem can be read at:  
<http://www.lean-service.com/9-FrancesDone.asp>

However, you don’t need to take our word for it. Your own department’s assessment of Vanguard’s work in housing (“A systematic approach to performance improvement: evaluating systems thinking in housing”, published by the ODPM in September 2005) also confirmed that targets were part of the problem, not the solution. You should be aware that the Housing Corporation’s current review of performance indicators in housing completely ignores your own report’s findings. Their review is discussed in a Vanguard report that can be downloaded from: <http://www.lean-service.com/9-housing.asp>

Vanguard clients use less formal and diplomatic language to say the same kind of thing, the specifications and inspection regime is a central part of the problem: ‘CPA is wrong at every level. It creates waste in inspection, preparation and being forced to do things that you would never do otherwise, such as irrelevant e-government schemes, just to look good for assessment.’ ‘It is a one-size-fits-all system that does not fit any authority well. Local priorities are skimmed over while performance on central priorities is seen as key.’ In sum, ‘Customers do not benefit from anything that the council does as part of the CPA process.’

### **The trouble with targets**

Ministers, yourself included, have been admitting for some time that targets have drawbacks. In a recent speech on public services at think-tank Demos, Jim Murphy, parliamentary secretary at the Cabinet Office, noted that schools had to meet more than 200 performance requirements. The trouble was, he said earnestly, that targets seemed to multiply and fragment as they were cascaded down from the original high-level goals. Thus 12 central public service agreement (PSA) targets for health had become 44 in the department’s planning and priorities guidance, which expanded to no less than 300 separate targets at ground level. Departments, he complained, were ‘less adept than they could be at turning the indicator returns data [sic] into policy action.’

Yes, well, that's what targets do. After nine years of trying to make them work, shouldn't ministers have twigged that by now? Targets and specifications always and everywhere hinder improvement and raise costs, whether in the public or private sector. As you should know by now, the problem with targets is not just that they don't work as intended, it's that they do work to create perverse consequences. There are several kinds, but briefly:

They distort systems. If you give people targets and sufficient incentives, they will endeavour to meet them. We have already noted that targets aren't what people actually want, they are proxies for what government *thinks* they want. So organisations are concentrating not on the customer but on the paymaster. Meeting the targets (satisfying the paymaster) becomes an organisation's de facto purpose, and it ends up concentrating on what is auditable rather than what is important. As the measures drive the work design what actually matters to customers is lost; instead managers focus on meeting the regulatory requirements – which are usually functional and arbitrary – and unknowingly distort and diminish their organisation's ability to serve customers.

Targets give you no help with method, the thing that really matters. Hence there are countless examples of people meeting their targets and creating losses elsewhere in the system. The NHS is a classic example. Trusts have met many of their targets (although see the next point below), but at the cost of the financial target of breaking even. You can now see your GP in 48 hours, but you can't book an appointment more than a week ahead. You can access NHS direct, but most people are sent to other NHS services, amplifying the number of transactions without improving the service. In system terms, optimising part of the system sub-optimises the system as a whole.

If constraints are tightened the only thing left for people to control is the figures. They fiddle them. Games-playing and manipulation are rife in all situations where people are held to arbitrary targets (it happens every year when private companies set their budgets too). There are countless examples, but just one will have to do. The clock only starts ticking for hospital waiting times when a consultant gives the go-ahead for an operation (or in A&E when a patient is formally admitted). To keep within their targets, doctors use all kinds of ruses to delay the start times. So an official six-month wait for elective surgery can be much longer from the patient's point of view. A four-hour wait for attention in A&E may similarly be much more in the patient's reality — which is after all the one that matters. When you read the papers on housing benefits processing you will discover that meeting targets for waiting times drives up the cost of service and fails to deliver what matters to customers. Just as with job benefits (as is being talked about in the press at the moment) the reason people get angry at benefits counters is because the service design is so poor from the customers' point of view.

This means that, ironically, all those figures, so laboriously collected, on which the audits and league tables depend are unreliable. There's a law for this: Goodhart's Law, named after a chief economist at the Bank of England, which states that 'any statistical regularity will tend to collapse once pressure is placed upon it for control purposes' — in other

words, a figure can be a measurement or a target but not both. Goodhart's Law means that most of the figures you rely on are worthless — as many of those who fill them in will tell you in private.

As Murphy discovered, targets breed more targets. The fewer the targets, the broader they have to be. The broader they are, the cruder the results and the more gross the distortions. So the constant tendency is to make them less crude and more precise, in other words to divide them up. This — and the fact that people quickly learn how to play the targets game — is why regimes like CPA or university research and teaching assessments are constantly being adjusted. A side-effect of this, of course, is to make the figures still more unreliable, since even if they could be trusted they are no longer directly comparable.

The problem is in the nature of the targets themselves. I gave evidence to the Select Committee in this regard (available at: <http://www.lean-service.com/9-9.asp>) Targets are arbitrary measures. They bear no relation to capacity (most of the time no one knows what capacity is). The Vanguard clients I refer to all know that the capacity of a system — the number of things it can do — can only be improved by removing waste. They also know that to improve a service you need real measures, derived from the work, that measure the achievement of purpose from the customer's point of view. Furthermore and crucially, in terms of what you are seeking to achieve, they ensure that these measures are used by the people who do the work, to understand it and improve it. It is a paradox they are familiar with: when you use real work-based measures, improvement also leads to improved budgetary (arbitrary) measures; unfortunately it doesn't work the other way around.

So the answer is not, as you and fellow ministers seem to think, fewer targets or better specification of them. (As Einstein remarked, 'Endlessly following the same process, hoping for a different result = insanity'.) More generally, nor is the answer to be found within the current regime at all. As Einstein also remarked, 'The significant problems we face cannot be solved at the level at which we created them'.

### **Regulatory capture**

It is deeply ironic in this context that once again you are being captured by a producer interest, in this case what might be called the regulation industry. Allowed to determine their own future, the institutions of the regime self-serve; they come up with variations on the present regime. This is simply to 'do the wrong thing righter', whereas the real issue is what is the right thing to do? If you are doing the right thing you will learn, even if you are doing it wrongly, you can learn from your mistakes. No matter how well you do the wrong thing, you cannot learn, you are condemned to replay the nightmare loop.

And I am very much afraid that this, unless you can break out of it, is what is going to happen in your new White Paper. Some of it is already pre-determined, as I have just described. Earlier I pointed to the mistaken, Gershon-inspired attempts to gain economies of scale by partnerships and sharing services in huge IT factories. This is itself a replay

on a larger scale of the public-sector call-centre fiasco. Recall that the idea was to gain economies of scale by passing incoming calls through a dedicated contact centre, freeing up frontline workers to get on with their job. Councils did what they were told, as they usually do — but since the flow of work was left unreformed, it was another case of doing the wrong thing righter. Because most council services don't work very well they attract a lot of what I call 'failure demand' – demand caused by a failure to do something or do something right for the customer. All of the local authority call centres I have studied have high levels of failure demand, an enormous amount of waste that has been designed in. While councils may get a 'tick in the box' their customers experience poor service and the organisations run at high costs.

### **'Double devolution'**

What about your latest initiative, 'double devolution'? My problem with it is that it is all high-sounding abstractions — 'empowerment', 'engagement', 'giving people a say in the design and delivery of services' — which without method will simply generate cynicism. We have been here before. The 'big idea' seems to be making greater use of customer satisfaction surveys. But you should be warned that making policy or designing services on the basis of such surveys would be disastrous. Surveys are a notoriously unreliable way of gauging customer satisfaction. Some of the difficulties are:

Asking the wrong questions. As with targets, surveys usually ask the questions that matter to inspectors and regulators, not customers. To cover all bases, gain comparability, etc, they also ask too many. The high proportion of irrelevant answers (although you don't know which...) makes interpretation a matter of guesswork.

Asking the wrong people. People can only take an informed view of a service on the basis of a transaction. Right now, councils survey all residents at random. An unknown proportion of responses will be from people who have not had contact with the service and whose opinion is based on hearsay or prejudice (this is currently a problem in councils). The data is therefore meaningless.

To illustrate: public satisfaction with the police is generally low — but it is *worse* among those who have actually had contact with the service. This was the case in the West Midlands, too, until, biting the bullet, the force decided to learn from studying demand (why do people call the police?) and response (how well does the policing system respond from the customers' point of view?). It now knows that the transaction is what matters to the citizen and has transformed its responses accordingly — largely at the level of the call centre. For the citizen calling in, the call centre *is* the police; by understanding demand, handling more calls at the first contact and stripping out waste, (by, for example, removing the causes of failure demand) West Midlands police has radically improved its service to the citizen (what other kind matters?), raised confidence and lowered its costs. West Midlands citizens no longer complain vociferously about their experience of contacting the police.

Because people can only judge from a transaction, they are very bad at saying what they want. Again policing provides a good illustration, when asked what they wanted from police, citizens said ‘visibility’; this has led to wasteful exercises on being visible and measuring visibility, all of which have taken police away from what actually matters.

For the record, the Vanguard experience is that the best way of gaining useable knowledge from customers is to ask those who have received a service to give it a single rating on a scale of 10 and follow up by asking low scorers what would have needed to happen for them to give the transaction a perfect score. It is the second question that matters.

Don’t worry about ‘engagement’ and ‘empowerment’. These are effect, not cause. The key thing is that people judge the system from their transactions with it. So if you design a system against demand, a system that allows citizens to ‘pull’ the service they need with minimum fuss, as West Midlands police did, as Vanguard clients in housing repairs, adult social care, benefits processing and a large number of other services have done, you give great service (i.e., what people value and demand) at lower cost (because you have stripped out everything else that does not contribute to value or demand). Citizens don’t give a fig about targets. They do give a fig about the way councils respond to their need. This is the ‘choice and voice’ that matters. And engagement and empowerment are a consequence of the system’s design – they, in effect, come free!

### **CPA has made things worse**

I have dwelt at some length on CPA and its practical and even philosophical ramifications. To sum up, it failed because:

As a corporate director points out, ‘it is based on a deconstructed, mechanistic view of the system. CPA applied to a human body would require chopping it up and putting it together again with separate targets for arms, legs and bodily functions’. Not surprisingly, this has made the system as a whole harder to manage and services worse.

The targets and indicator-driven regime forces services to deliver what matters to ministers, not what matters to customers. Bureaucratic inspection reinforces this tendency. It consumes massive amounts of time, energy and money that should be going into services and produces unreliable results. Note in the paper on adult social care the same (poor) performance issues were experienced by authorities that differed significantly in their inspection ratings.

Operational definitions are vague and imprecise; ‘best’ practice is a dangerous term, since often it is anything but.

It puts the locus of control in the wrong place. If you want people to change, they have to be the instruments of that change. Much as you would like to, you can’t do it for them.

The awful truth is that CPA hasn't just failed; it has made matters worse. It has made good service harder to deliver and piled on layers of cost.

**So what should you do now?**

### **1. Radically reduce the size and scope of the regulatory regime**

The first thing is to conduct an urgent review of the specifications and inspection industry. (Amazingly, this has never been done, although a detailed cost/benefit analysis was advocated as far back as 1995 by Prof. Ron Amann, who would later become the first director general of the Centre for Management and Policy Studies in the Cabinet Office. I wonder what happened to his proposal?) The best thing would be to dump the specification and inspection regime altogether. I know what your response will be. First, I must be mad. On the contrary: remember the five kinds of waste, and the ODPM report that shows how targets prevent reform. All the published cases reinforce this view. I can provide you with the same evidence from every public sector service about which we have knowledge. Since it is bureaucracy that is the problem, the madness is actually to *keep* it.

Your second response will be: how can we tell if local authorities are improving? How can we ensure that they are held accountable for what they are doing with public money? To which there is a very simple answer. You can replace the entire current regulation regime with one question: what measures are you using to understand and improve each service? Note the word 'understand'; it begs managers to actually study the work and determine measures that might illuminate what is going on. There are no current performance indicators that lead to understanding, as they are all arbitrary and/or 'rear view mirror' measures. To declare a requirement for understanding would be a significant change.

An authority that is systematically measuring demand and its capability to meet it — so it can tell you how long it takes *end-to-end* (i.e. from the customer's point of view) to complete a housing repair, pay a benefit or install a walk-in shower for someone in need of social care — is by definition taking a systems view. Its frontline workers and managers will be learning *from customers* how to give them more of what they want with less fuss. It will be a simple matter to show performance (real performance) changes year on year. The goal is improvement. Those who already use such measures will have their position strengthened vis-à-vis a much reduced inspection regime. Others — and there are many as they are products of the current regime — whose measures are to do with activities, such as transaction costs or time to make an appointment, or arbitrary targets and standards will find themselves engaged in a debate that needs to be had.

The current regime places the locus of control with the regulators and auditors. The only thing that managers learn from this kind of regulation is compliance (with the wrong things!) and how to win stars. We all agree that there is massive scope for improvement and cost reduction in all public services — actually much more than the regulators

envisage, as the case studies prove. To get at this potential, managers need to change the way they think. But for them to change they need to learn to learn from and adapt to customers — they need to be empowered to empower the customer to get what they require with as little as possible standing in their way. In working this way they discover for themselves the flaws in what is currently considered to be modern management.

## **2. Insist that no further large-scale ‘partnerships’ and/or IT ‘solutions’ are promulgated or funded without prior evidence of their efficacy**

As you will see from the case studies, good service costs *less*. This makes sense when you describe the improvement process as stopping doing the vast number of things that do not add value for the customer and doing only those that do. With this in mind, you should also conduct an urgent review of the IT-based ‘beacon’ sites and ‘partnerships’, whether public-public or public-private, promising economies of scale. They claim lower transaction costs, but these are simply irrelevant when the true costs of service are end-to-end from the customers’ point of view. The important foci for managers are demand, flow and the ability of the system to absorb the variety of customer demands.

I believe that you will be shocked when you discover the high and locked-in costs of service in the ‘exemplars’ of shared services, partnerships and IT ‘solutions’. It’s not more investment that’s needed, it is better design of the work. You should insist that before committing public funds to any large-scale initiative involving partnerships and/or IT, there should first be proof that they will deliver.

## **3. Provide help and guidance on a ‘pull’ basis**

Public sector managers have been arrayed with advice and guidance that, in reality, they have been obliged to follow. They need to be helped, not harangued and coerced. Of course they need to change. But they have been forced to adopt a reductionist, IT-driven command-and-control model of management. This does not work well anywhere, but it is especially inappropriate in services. The key issue in service design is absorbing variety, since unlike in manufacturing you can never know exactly what the next demand will be. This is another reason for putting people in control of their own processes. People are very good at handling variety, computers very bad. So what do conventional systems do? They put computers at the front end (‘Press 1 for this, 2 for that...’) and people at the back, effectively disempowering both customers and providers. Yet it is perfectly possible to design the work so that the needs of communities for particular services are met in such a way that they naturally engage in the process. When the service user feels his or her demand is understood and the service provider is attuned to working that way, the customer is naturally involved in service design, the delivery agent is empowered to act in those terms, and the consequences are reduced cost and improved services.

In summary, you have an opportunity to make significant and radical change. You should do so safe in the knowledge that the current regime is failing. Measuring services against arbitrary targets is imprisoning, not liberating. Hence the non-improving loop you are

currently stuck in. Simply by removing the regime you will gain significant cost savings. To continue the specification and inspection philosophy into a 'new' regime would not be a change of any substance and you will repeat the mistakes of the past. You have an opportunity to make a radical break from the past, removing the features of the regime that have, in truth, been counter-productive. You would do so with confidence if you knew first-hand just how debilitating the regime is. In doing so you would liberate those who need to be given the scope to improve public services; everyone wins. Including you. What do you have to lose?

Yours sincerely

**John Seddon**