



Living with Gershon:

How to implement efficiency savings, whilst maintaining or improving quality and service

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Introduction

Doctor: Do you want the good news or the bad news first?
Patient: Oh, the good news.
Doctor: Whilst you have been in our care, you have lost thirty pounds.
Patient: That's good, so what about the bad news?
Doctor: We had to cut your leg off!

This is probably one of the primary concerns that people have with the Gershon proposals: cutting the number of civil servants will cut the basic ability of the civil service to function. This is certainly the view expressed by many on the trade union side, and may indeed be a private concern of many of those tasked with delivering savings.

Gershon talks about a gross reduction of 84,000 posts by April 2008, of which 13,500 will be reallocated to front-line activities. He also talks about relocating over 20,000 posts outside London and the South East by 2010.

Surely such change will affect service quality? Surely the only way to achieve these reductions will be to make everyone who is left work harder, put them under more pressure and leave them having to cope with an increasingly discontented public, as services fail to meet expectations?

The counter argument to this is that Gershon has done his sums. He has produced a rounded definition of efficiency (not merely cost cutting), cited a number of current and past initiatives as evidence of potential, identified six work streams, and proposed a number of change mechanisms.

So does it all add up? Can we live with Gershon?

Our answer to these questions is a qualified yes. Yes, because we do believe that it is possible to increase efficiency whilst simultaneously improving quality and service – *and* reducing the stress levels of overworked front line staff. Qualified, because we believe there are missing ingredients within the Gershon prescription.

Our argument, which we will expand in this paper, is that for the Gershon proposals to work there needs to be a concerted effort to modernise the operations management skills, processes and tools with the civil service. Operations Management needs to emerge as a “must have” professional discipline within the public sector – providing front line managers with both the training and the means to support their staff, in managing “business as usual” whilst coping with change.

We believe that early and intensive attention has to be paid to developing this Operations Management capability within all areas of the civil service in order to provide a platform from which the Gershon proposals can be delivered safely and effectively - with minimum stress on the staff involved and maximum likelihood of sustaining quality and service levels through the transition.

In this article we will talk about:

- Why the main efficiency drivers being considered are necessary but not sufficient.
- How developing front line Operations Management capability can deliver the necessary capacity and control to mitigate the risks of Gershon, and enable the delivery of both efficiency and an effective service.
- How a clear and structured programme of training and the implementation of simple management tools can lead to a culture change in Operations Management capable of supporting a sustainable increase in efficiency.

The Gershon prescription: why it is not complete

We identify the following as being the major efficiency drivers being prescribed by Gershon:

1. Investment in information and communications technology (ICT)
2. Shared back office functions
3. E-enabled service provision
4. Use of efficiency tools

We would also add into this Gershon's recommendation to locate 20,000 jobs out of London and the South East, since this meets his criterion of increasing efficiency by reducing the cost of input.

So why won't these, in themselves, deliver the required efficiency savings?

To get the cheap shot out of the way first: we all know that, in the past, most ICT projects have over-promised and under-delivered. (No doubt you can think of your own examples.) We might add to this that the general consensus appears to be that around 85% of all business process re-engineering projects have either failed or significantly under-achieved.

For similar reasons, we have watched many of the large outsourcers chase the Holy Grail of shared service centres as a way of reducing their operating costs, only to find the challenge of integration of diverse systems, products and practices eat up a lot of their planned savings.

E-enabled services may generate efficiencies in the sense of increasing the range of services provided without increasing headcount, but don't expect the introduction of new channel necessarily to reduce staff costs. Typically, new channels redefine work – not reduce it.

Finally, Gershon mentions efficiency tools and refers directly to disciplines such as activity based costing. here we have some sympathy with Gershon; good management tools, well applied could indeed make a positive difference. The issue, however, is not should efficiency tools be used – they must be – but how to make sure that they are used effectively.

To take an example of how efficiency tools can fail, let us consider the use of performance indicators – as became so fashionable in the mid to late nineties. Whilst there is nothing wrong with the principle of having a clear idea of the organisation's performance requirements and working back from this to define team and even personal action plans, the reality has often been very different. Described to us recently as “playing tennis whilst looking at the score board”, we probably all know of ways of managing the performance indicators, rather than managing the performance.

For example, in one very large public sector operation we noted the use of green, amber and red files for managing the service level agreement (SLA) on correspondence. With an SLA of something like 80% of post to be answered within x days, older items were moved from green to amber files and eventually found their way into the red files once they were past the x day target. Presumably in the originator's mind was that work in the red files ought to be given priority, but of course doing this work could not influence the SLA. Staff believed that “Red is Dead” and this correspondence was effectively ignored. Indeed, correspondents might find that their second or third letter might be answered before their original communiqué!

And so whilst we would see all of Gershon's prescription as necessary, we would not see it as sufficient. If organisations are to cope with the upheaval and stress of the very changes that could make them more efficient, they must have the capacity and the organisational control necessary to introduce the changes and extract the benefits there from. In the next section we will describe how developing the organisation's Operations Management capability can be the key to living with Gershon.

Developing Operations Management capability

It seems strange to us how so many organisations can spend so much time measuring, simplifying, re-engineering or otherwise paying attention to their core business processes – and yet pay so little attention to the one business process that influences all the others: the management process.

At a recent mortgage processing conference a straw poll of the delegates indicated many thousands of staff under the management of those present. Most were involved in some way in the operational delivery of the mortgage process: operations managers, in our terms. Yet when asked what training they had received we noted an interesting phenomenon: Financial regulations? Most hands went up. Project management training? Many hands still aloft. Personal skills, coaching, assertiveness etc.? Still most in the affirmative. Operations Management concepts and skills? Er... no. At this point, despite this being the core of their job, most managers brought their hands down.

We have found the same in most, although not all, areas of the civil service: disciplined, professional operations management – applied with world class tools and best in class, modern methods – is rarely given the priority it urgently requires.

So what do we mean by Operations Management? This is the set of decisions and actions taken by managers in order to deliver the agreed levels of service and quality to the customer at the right cost. At the core of Operations Management is the constant process of balancing workload and resources. This involves:

- Forecasting future workload and staffing
- Planning the immediate deployment of resources to best meet service and quality requirements
- Monitoring performance against plan to respond to new challenges
- Reviewing performance and planning improvements.

Now, whilst these activities go on all the time in all parts of the civil service, our contention is that there is no common language, common method or tools, or common professional qualification associated with doing these vital tasks. And yet these activities are absolutely fundamental to the efficient running of all service-based aspects of the civil service.

We would argue that in much the same way that the PRINCE Methodology (for better or worse) has become the benchmark standard for conducting *project management* in the civil service, so there should be a similar benchmark for conducting *operations management*.

From our research and practical experience of improving operational performance over the past ten years, we have identified the core set of skills and disciplines required by every operations manager – from front line team leader to operations director. We call this discipline Active Operations Management (AOM). The use of the word “Active” is intended to distinguish between best practice and the more common practices of “reactive” and “bureaucratic” management.

In other papers and training courses, we develop this distinction and teach the five core principles of Active Operations Management. Here we will use just one example to show how it is possible to increase efficiency, whilst simultaneously reducing costs and lowering staff/management stress levels.

The “use it or lose it” principle

Imagine you have a team of ten staff and two of them fall sick. What happens to productivity? This, of course, is a trick question. Who knows what will happen? Since productivity is the pace at which the team works – not the absolute amount of work the team does – productivity could stay the same, go up, or go down. Common experience however tells us that in this circumstance it often goes up. Perhaps this is because the eight remaining staff work harder to cope with their colleagues’ absence. Perhaps it is simply the case that there was only ever enough work for eight but it was normally being spread over ten people.

By a similar logic, we almost invariably find that productivity in organisations fluctuates wildly from day to day and week to week – driven partly by resource availability and partly by the pressures of work. Productivity – perhaps the key cost driver in any service operation – is, in most organisations an outcome; a consequence; a reaction to circumstances. It is not, as it ought to be, a managed variable – planned for and controlled by managers through open and honest communication with staff.

The result of fluctuating – reactive – productivity is a two-fold failure: a failure to manage peak demands – putting staff under pressure and threatening morale as well as putting quality and service targets at risk. On the other hand, a failure to manage troughs in demand is an equally serious failure, as it often means that time when workloads were relatively quite was overlooked, and therefore opportunities were missed for training, quality improvement, new system implementation and so on.

Smoothing productivity can be achieved through a mixture of:

- Improved forward planning
- Increased flexibility and responsiveness within and between teams of staff
- Strategic use of a mix of service levels and turnaround targets.

In our experience such productivity smoothing can increase actual productivity by anything from 20% to 50%. Now, whilst achieving this kind of improvement may require some changes to management activity, it most certainly does not imply that staff have to work 20% to 50% harder.

So with smoother productivity come the additional benefits of reduced uncertainty and reactivity for staff, reduced peak-load pressures, and a greater sense that they and their management teams are in control. All of these can lead to reduced stress, improved staff retention, improved quality, and improved customer service.

For some there is a concern that “active management” of work and resource may smack of old fashioned command and control, mechanistic management, time and motion studies and the like. Not so. Active management is more akin to collective time management. Providing commonsense, useable information to the front line managers and staff, so that they are empowered to make quick, rational decisions about how best to deploy the time they have.

Many managers who have been trained in time management techniques will know that it is possible to achieve more yet feel less busy and less stressed. We believe the same is true for *Team Time Management* – the only difference is the complexity of the information needed to make the best decisions in time for them to make a difference.

To summarise this section; developing the operations management capability will provide two distinct and essential sources of benefit: capacity and control.

Improving internal productivity through better management of resources will deliver operating capacity, which can in turn be used to:

- Reduce costs
- Improve quality
- Increase speed and reliability of service
- Make time to implement other strategic initiatives

Improving the management disciplines associated with Operations Management will improve fundamental management control, which will in turn provide:

- Greater strategic choice and flexibility over where and how to deliver service
- Increased ability to handle organisational and technical change
- Faster and more assured realisation of benefits from other strategic initiatives.

So, the elements of the Gershon prescription aimed at increasing efficiency in the civil service may well deliver benefits, but at some risk and with a significant degree of uncertainty in their outcome. A prior, and fundamental, requirement is to introduce Active Operations Management as a clear and consistent professional discipline that can deliver the capacity and control that will be required if 13,500 are to be reallocated to front-line activities and over 20,000 posts are to be moved outside London and the South East.

To achieve this scale of change without threatening required public service standards and in a way that minimises the stresses on individuals working in the service will without doubt require world-class operations management skills. So how can these be developed?

How structured training and the use of simple tools can transform the Operations Management culture

In the past, OCP has helped the Inland Revenue to develop its operations management culture, supporting their Planning and Forecasting of Work programme. OCP provided the initial training, ran pilots in a number of offices, provided the basic design for their capacity planning tool kit, and trained the first wave internal facilitators. In our view, the programme, which has carried on far beyond our initial involvement has achieved much in developing an improved culture of operations management at the front line of the Inland Revenue.

Within the private sector, AOM – a subsidiary of OCP that specialises in Operations Management consulting – has recently supported the development of an Active Operations Management culture with National Australia Bank and is working on a world-wide basis with American Express and EDS.

We believe that on the basis of the last ten years experience of implementing changes to the Operations Management culture, we have a clear and proven process for achieving rapid and sustainable change. The typical process for a organisation of, say 2,000 staff would include the following steps:

1. Short diagnostic review

This would compare current management processes to our model of best practice and provide tangible evidence of what is being done well and what could be improved. From this, the organisation is able to start to plan how it would realise the gains from released capacity and improved control.

2. Initial training

We use computer-based simulation training to provide a rich and challenging environment in which managers can test and improve their operations management skill against a very real-world challenge. We find that not only does this provide managers with a strong grounding in the practicalities of operations management, it also provides an essential common language between managers so that they can share good practice and learn from each other.

3. Pilot implementation

We would normally lead a pilot implementation for around ten team leaders and one hundred front line staff. In most, but not all, cases we would use our own proprietary software, Workware, to support the capacity planning and management reporting requirements.

This software provides a good framework for incrementally coaching front line managers in all the key skills of operations management so that over a twelve week period they become fluent in the use of the tools and more importantly the principles and methods behind the tools. Typically, this exercise will start to bear fruit within the first five or six weeks and, depending on the ability of the organisation to translate efficiency improvements into savings, the whole project will pay for itself within six months.

4. Internal facilitator training

For larger organisations it is cost effective to train internal facilitators. This would start during the pilot and then be consolidated prior to roll out. As part of our service, we provide software manuals, implementation manuals and related tools as well as train the trainer materials.

5. Roll out of the AOM principles

Depending on the size of the organisation, roll out may occur in a number of phases, so what we have found absolutely critical is to have clear and well documented guidance so that the original principles and practices from the initial phase are not diluted during the remainder of the programme.

Throughout this five-step programme, the emphasis is on developing skills and attitudes but using simple tools to provide focus and practicality to the implementation. Managers learn by doing, and the improvements they deliver during their training not only reinforce what they have learned they also provide the essential payback on the training investment.

And so to conclude ...

If you are required to cut posts, relocate or otherwise increase your efficiency, fear not. There are things you can do to make it more possible and less painful – and you will find a lot of people out there willing to help. All we suggest is that you avoid anyone wielding large-scale amputation equipment.

About OCP and AOM

Organisation Consulting Partnership LLP (OCP) was formed at the end of 1992 by a group of senior people from international blue chip consultancy firms. There are now fourteen partners plus a network of associates, consultants with specialist skills, whom we have used on prior projects.

OCP's role varies from one client to another. Sometimes we are operating as facilitators and helping to guide clients through a review of their business strategy, at other times as change programme or project managers. We are not hidebound by a particular methodology; rather we take a pragmatic approach adapting the right method for each client's circumstance. We believe that one of our strongest skills is the ability to help clients clarify the problem they are tackling and to shape the resulting project or programme accordingly, drawing on a very wide range of tools and techniques.

Our positioning is somewhat different to the bigger consultancies. Their economics compel them to field a large team of consultants on almost every assignment. We believe that we can match their leverage, and achieve a longer lasting outcome, by assigning a smaller number of more experienced consultants. OCP consultants work alongside client staff and provide coaching and facilitation so that clients retain ownership, and acquire new skills in the process.

We work in the private and public sectors and OCP has been accepted on a number of public sector consultancy procurement frameworks including the Department of Work & Pensions, Department for Education & Skills, Inland Revenue and the House of Commons. We also collaborate with other consultancies to qualify for S-CAT work.

Active Operations Management LLP (AOM) has recently established itself as an independent firm in order to concentrate on the important area of active operations.

AOM provides a mixture of consulting, coaching and software implementation services all focused around the principle that improving operations is a strategic enabler for the organisation at large.

AOM has a well developed and proven methodology, supported by a range of manuals, teaching aids and facilitators' guides that are in use in the UK, Europe, Australia and soon to be introduced into the USA and other parts of the world. AOM is dedicated to identifying, codifying and disseminating best practice in operations management and includes in its client list the following organisations:

- American Express
- Aviva
- Bank of New York
- Barclays Bank
- Capita PPML
- EDS Business Process Outsourcing (Europe and worldwide)
- EDS Credit Services (the transitioned operations of Abbey National and Westpac)
- Inland Revenue
- International Financial Data Services (IFDS)
- Liverpool Victoria
- M & G
- Media Accounting Service (MeDAS – BBC finance and accounting)
- National Australia Bank
- Remploy