STATES OF JERSEY

Corporate Services Scrutiny Panel
Comprehensive Spending Review: 2012-2013
and Delivery

MONDAY, 11th APRIL 2011

Panel:
Senator S.C. Ferguson (Chairman)
Senator J.L. Perchard
Deputy J.A.N. Le Fondré of St. Lawrence
Mr. N. McLocklin (Panel Adviser)
Mr. M. Oliver (Panel Adviser)

Witness:
Professor J. Seddon

Also Present:
Ms. K. Boydens (Scrutiny Officer)

[14:31]

Senator S.C. Ferguson (Chairman):

Good afternoon, gentlemen. Welcome to this hearing of the Corporate Services Scrutiny Panel on the Comprehensive Spending Review 2012 to 2013. We do have a notice there for all witnesses which tells you about your immunities and privileges and so on. I wonder if you could say who you are and what your position is for the benefit of the ladies in New Zealand who will be doing the transcribing.

Professor J. Seddon:

New Zealand?

Senator S.C. Ferguson:

Yes, we get it overnight.

Professor J. Seddon:

How extraordinary. I am John Seddon. I am the Managing Director of Vanguard Consulting, which is a U.K. (United Kingdom) based company with franchise companies in other countries around the world. I have collected a number of academic honours for the work that I do as a contribution to management science. Essentially, the work that I do is the redesign of service organisations, taking them out of a conventional command and control design and putting them into a systems design.

Senator S.C. Ferguson:

Thank you.

Mr. M. Oliver (Panel Adviser):

Michael Oliver, one of the advisers to the panel.

Senator J.L. Perchard:

Senator Jimmy Perchard.

Deputy J.A.N. Le Fondré of St. Lawrence:

Deputy John Le Fondré.

Senator S.C. Ferguson:

Senator Sarah Ferguson, Chairman.

Ms. K. Boydens (Scrutiny Officer):

Kellie Boydens, Scrutiny Officer.

Mr. N. McLocklin (Panel Adviser):

Neil McLocklin, Panel Adviser.

Senator S.C. Ferguson:

Right, thank you; if we could kick off. I wonder, Professor Seddon, if you could tell us what percentage savings are being achieved elsewhere in the U.K. in local and Central Government transformation using Vanguard systems and, from that point of view, how do you rate the deliverability of the States of Jersey's C.S.R. (Comprehensive Spending Review) aspirations?

Professor J. Seddon:

What I would like to do, if I may, Chair, is take the second part along with question 9 on my sheet here, because I think it is similar.

Senator S.C. Ferguson:

Yes, surely. No problem.

Professor J. Seddon:

But let me answer the first part. First of all, all of the work in the U.K. is in local Government not in Central Government but the percentage savings being achieved are

of the order of 20 to 40 per cent in each service, at the same time as improving the quality of service and improving morale.

Senator S.C. Ferguson:

Yes. To what do you attribute the success of this?

Professor J. Seddon:

What I have done is I have prepared answers to your questions and so that will come out in these questions; but the headline is 20 to 40 per cent is not unusual, sometimes more. It is basically because these organisations have been completely redesigned and the conventional ideas have been thrown away and more productive ideas are being employed, which would lead me to your question 2, if I could carry on and address that. Could I?

Senator S.C. Ferguson:

Right. Shall I whip it in so that the ...

Professor J. Seddon:

Indeed, yes.

Senator S.C. Ferguson:

Yes. Based on your experience are you able to give any examples of transformation that have saved money and at least maintained service, if not enhanced services?

Professor J. Seddon:

Yes, I can give you many. I thought I would give you 2 high-level examples this afternoon but there are many published examples. There is a book of case studies. There is some work published in my own public sector book from 2008. A lot of our work has been published by the Welsh Audit Office in a recent report, an independent evaluation of this work. There is even a publication going back to 2005 from the then Office of the Deputy Prime Minister in the U.K. So there is a lot of this in the public domain. I thought I would give you 2 as examples. The first is housing repairs where, when people employ a systems method, typically they now deliver housing repair on the day and at the time the tenant wants it and this is delivered at half the original cost; so the cost of housing repairs has been halved. That is the repair costs, not the total system costs. Let me just describe a conventional housing system. What has happened in the U.K., and particularly in England, is that everybody has had to comply with designs dreamed up in Whitehall. For example, in housing repairs you would see a call centre, because the idea is that if you have a call centre it is easy to access a service. In the call centre their job is to determine which of the Government targets relate to each repair, because there are targets for emergencies, urgent and other and there are categories that relate to each of those 3 or types of repair that relate to those 3 categories. The second task in the call centre is to decide what the repair is and, to that end, they have a book called the *Schedule of Rates* which was introduced to control costs. In this book is every repair that can go on in a house with associated materials and the standard time. So they do their work and then they pass that docket or whatever to the supervisor to give it to the tradesmen who enter the property and you would think not much could go wrong. Systems methodology requires you to study a system from a different point of view and the first question that you ask is: "What is the purpose of this from a tenant's point of view?" From a

tenant's point of view, they want their repair done either quickly or when they would like it done. So as part of the studying you have to measure how well we achieve that and that is where managers get their first shock. They find that the true end-to-end time to affect a repair could be months and yet we appear to be meeting all of our targets. This is because one repair from a tenant's point of view can be a number of repairs in a target-driven system. So if you have a broken window, we achieve our emergency target by turning up and boarding it up but then we might have to do some glazing, some carpentry, some plastering and some painting. These are all separate jobs all on a 28-day target. Now, you also discover when you start studying the system that the call centre is full of what I call failure demand. Failure demand is demand caused by failure to do something or do something right; so these are people ringing up saying: "It is still broken," or: "He has not arrived," or: "When is he going to do the next bit?" This takes a lot longer to deal with than the work because you have got to chase around and find out and get back to people. When you get the managers out studying you have to get them out with the tradesmen to find out how often they fix the property when they enter it and, typically, you find in these conventional designs it is less than 40 per cent of the time. Then you start to understand what is going wrong with the design because you have got essentially somebody who does not understand the plumbing talking to somebody in the call centre who does not understand the plumbing who creates a job ticket for somebody who does. This is why you find that most of the time the tradesmen come out of the property saying: "You sent me in to do a 72 in the *Schedule of Rates* but it was an 83. Therefore, I have got to visit twice. I have got to get other materials and so on." So now you start to understand how much things are going wrong and how the current measures that you had that told you you were doing quite well are misleading. In fact,

there is some video-tape of Owen Buckwell who is the housing leader at Portsmouth City Council. He says in that: "According to the Audit Commission we are a 4-star council and we are meeting all the targets but all the members' surgeries are full of people complaining." That, for him, created an itch which he scratched; found my work. So those are the kinds of things you learn when you study it and then, having got that knowledge, you redesign it. If you go into Portsmouth today, in the redesign you would see that the tenants call a private sector suppliers organisation (these are where the tradesmen are dispatched from) and they are asked: "What day and at what time would you like us to come?" They give a time and a day. They found it hard to do at first, the tenants, because they were calling the council, but they have now got used to it. You will also see then that the tradesman is dispatched at the appointed day and time and the first thing they do when they arrive is they tell the centre how long they are going to be. Now, this is a very important feature in the design because one of the things they learned from studying is that no 2 plumbing jobs are the same. There is an awful lot of variation or variety in the work. So systems thinkers learn how to absorb that variety and the best way to absorb the variety is to let the tradesman determine how long he is going to be in the property. Now, of course, that would give a lot of conventional managers a bit of a worry, but they should not be worried because this is a visible system. So if you do find that there are people swinging the lead and spending their afternoons doing something else it becomes immediately apparent. Interestingly as well, you find that people who generally take longer than they should in repairs are, if you like, a management problem rather than a tradesman problem. They have not been given the wherewithal to do the work, which is a management responsibility rather than the tradesman's responsibility. Because they have understood in the studying phase the predictability of demand by

geography, they have equipped each geography with the right level of expertise to meet the demand that we know is going to occur. The tradesman then makes the decision about how long they are going to be there. When the tradesman requires materials that he does not carry with him in his van he tells the centre when he wants them to arrive and this is important because they have understood the best time, for example, to receive a bath is when the one you are removing is coming out of the property; before or after is not optimal. They have also studied, in the study phase, the actual materials used by the tradesmen and that led to something like a 65 per cent drop in material costs in the vans and they operate a material flow system based on usage. The art of managing material flow is only by when you are about to use it; so this is managing the flow and demand rather than managing cost. So this design is delivering services on the day and at the time people want them. I often say to managers, and I cannot be sued for this: "If B.T. (British Telecom) could do that we would all be delighted and they would do it at half the cost." In fact, it was suggested to me by a Dutch woman who follows my work that we should put an example forward to Gary Hamel's Management Innovation Exchange. Gary Hamel is a super-guru who thinks management should change. I agree with him. So we put this example forward with Owen Buckwell from Portsmouth and he won a prize. I am pleased to say he is going to New York to receive his prize in June. But it is an economic benchmark. The second one I thought I would give you is housing benefits. In every local authority in England, and Wales and Scotland for that matter and Northern Ireland, the housing benefits is designed in the same way because the design was dreamed up by people in the Department of Work and Pensions and they foisted it upon local authorities with the threat of the Audit Commission coming to make sure that you followed the design. Essentially the design is like this. Again, you have a

front office where you see people; find out what it is they need in housing benefit terms; send them away to get things; get them to fill in forms. That works to targets of how quickly you see people and then you take whatever information they bring into the front office and you ship it all electronically off to a back office and in the back office they have targets for processing benefits.

[14:45]

These are quite simple systems. When you study them you find that, first of all, the end-to-end time from someone saying: "I want to make a claim," until: "I have got my benefit sorted," is extraordinarily long and yet we are meeting our targets. It is the same problem as we saw in housing repairs. You know, we meet our targets for seeing people and we meet our targets for processing things and yet the average time typically is 50 days and it can take as long as 150 days to process someone's benefit. You learn that there is loads of failure demand coming in over the phones. That is no surprise because people are progress-chasing and saying: "I do not understand how to fill in your forms," and so on. But you learn when you study it that it is not a simple business of one or 2 visits; that people can visit up to 9 or 10 times before they get their benefit processed. This is important because these are people who have got to make use of public transport, probably have got to get someone to look after granny or the children and so on. You see signs in these offices saying: "If you are rude to our staff we will call the police," and I put it to you that you would be pretty upset if you had to visit as many as 9 times to get your benefit sorted and, moreover, when you visit they often tell you that they have lost something you have brought in before. This is because of the electronic system. What they have got is the front office says:

"We will take in your forms and your evidence," like your bank statements or whatever, "and then we will scan it and send it off electronically." When you do this, of course, you can imagine that there might be 7 things that you need to sort someone out. These come at different times. They are sent off electronically and now we have to find them and bring them back together and, of course, they get lost. The very first time that I worked in benefits was in Sittingbourne in Kent and it was the worst in the country. When I first went down there they had been encouraged by Department of Work and Pensions to outsource a lot of the work in their back office. What happened all over the country is this design led to an explosion of work in the back office, a growth far more than anticipated. So the solution from the D.W.P. (Department of Work and Pensions) was to outsource some of that to the private sector. Now, most of the work in the back office was waste or re-work or failure and so, of course, we have had this phenomenon, which exercised me at the time, that we are now paying the private sector millions for picking up the failure of the design. Of course, the failure of the design is in the front office. So when you have understood all of this and you have understood the nature of demand, what is predictably going to come into each of the local offices, then basically you have ... it is the same as with the tradesmen, you make sure that you have got the right expertise in those offices to deal with people, to get what they need and then pay their benefits. So if you go to East Devon or Stroud or Sittingbourne or many other places where they are doing this, they have no front office and back office. They have got the right expertise at the front. They process all benefits in 2 or 3 days and, moreover, they solve the complete problem because people on housing benefits, not only do they have issue with council tax and they have some dispensations on counsel tax but are very often people who have got other needs as well. So they understand what the other needs are

in order to make sure that there are not further demands on other council services and to make sure the rights resources are put out to those people. Now, in these cases you typically find that they are now processing the benefits in a matter of a few days, so the quality of service is extraordinary. People bring flowers. People bring chocolates, even though they are poor, because they are astonished at how quickly the service works and it operates, typically, at about 40 per cent less operating cost. In fact, in East Devon and in Stroud over the last year they have seen a 50 to 70 per cent rise in the amount of work because of the crisis that we are having but they have taken on no more resource. So those are 2 examples. There are many others. I could talk about any service, probably, that you are interested in if we have covered it in the local authorities in England.

Senator J.L. Perchard:

Something that comes out of that very interesting pair of examples: you described really a system now that devolves or you are recommending a system that sort of devolves responsibility to those at the coalface. They are in a position to make decisions on the back of information. I understand that fully; sort of a bottom-up type of momentum. Governments used to use that system after the war, a bottom-up. We did not have a massive administrative civil service. Why did they change? What were the problems then? Why did it evolve into more of what I would call a top-down now? What happened that was not working then that it required change? We are suggesting for the worst, but what happened that required that change?

Professor J. Seddon:

In my lifetime, I think it started post-1979 with the Thatcher Government with the view that really local authorities needed to get their act together and that was the beginning of central direction. They introduced compulsory competitive tendering and that was the first of a whole series of initiatives from the centre. As I describe in a lot of the work that I write, the centre has taken it upon itself to decide what "good" is and this is just changing currently with the new Coalition Government; not sufficiently, in my view, but it is changing. But the centre has been the place where all designs have been worked out, whether it is to do with health benefits or housing. We have created an army of people in Whitehall who effectively will dictate not just the targets that you will work to but design features in your organisation, even down to the I.T. (Information Technology) systems that you would be required to use. Then, of course, we have had the Audit commission as an instrument to ensure compliance.

Senator S.C. Ferguson:

Yes, because you are saying, are you not, that you put the knowledge in the frontline so that when people come in they are not shuffled around from A to B to C to find somebody who knows what needs to be done?

Professor J. Seddon:

Yes, and I suppose something different from the days of yore is the important thing is that it is studying demand that helps you determine what knowledge and expertise you need at the front of the system, because it is intuitively obvious that if you can get the right expertise against the known demand you will get what we would call fast and

clean flow - and what that means to the customer is a good customer experience - and you drive the cost out of it and that is the paradox.

Senator S.C. Ferguson:

Yes, because if you are going from A to B to C to D, that is all expensive.

Professor J. Seddon:

That is right.

Mr. M. Oliver:

Have you had any instances where it has been quite difficult to identify failure demand in organisations? Do you have any examples?

Professor J. Seddon:

No.

Mr. M. Oliver:

None at all?

Professor J. Seddon:

No. You have to help people understand the definition. Very often people will see failure demand not as failure demand because they have been very helpful to the person who phoned up to talk about whatever it is they talked about. But just because we are good at determining what the state ... you know, there are many organisations now that have C.R.M. (Customer Record Management) systems and they think they

are jolly good because if people progress-chase we can tell them what is happening to their case. Well, to a systems thinker that is absurd because that is just institutionalising failure demand. So you do have to help people. The definition is deliberately defined from the customer's point of view and so people do struggle sometimes at understanding how much failure there is.

Mr. M. Oliver:

As a sort of follow up on that, have you come across examples of organisations where you have met people who are doing a bad job and will continue to do a bad job even if the system is tweaked into your way of thinking?

Professor J. Seddon:

I would say this. I would say that conventional command and control designs encourage more ingenuity against the system than systems designs. So you get more bad behaviour.

Mr. N. McLocklin:

In terms of your example around benefits, I think you started to mention somebody coming in to talk about benefits and then you might extend that conversation into some other area.

Professor J. Seddon:

Yes.

Mr. N. McLocklin:

How do you sort of ring-fence or scope the demand? Because obviously that person could have all sorts of conversations in all sorts of areas and the expertise is going to be, well, diminished to some degree. How do you extend that and, also, how do you truly define that demand? Because you might be getting people who just pop in to have a chat almost or it is a problem in another system that is not related to the system you are looking at.

Professor J. Seddon:

Let me give you an example. One of the things that is very disturbing is how, in a lot of local authority and housing services, we are effectively giving people what we are here to provide rather than what they need. I just looked at some work that is going on in Great Yarmouth. This is housing allocations and you would assume, would you not, that all of the people on your housing waiting list probably need a house? It is not the case. In Great Yarmouth what happened was that they started studying their work and someone said: "Well, what do we know about the people on the database?" Of course, the answer was: "Well, they filled in a form." When you look at the form you find on the form they have answered all the questions we were interested in but we really do not know anything about them. So what they did in Great Yarmouth is they have started going out to meet everybody on their database and it was most instructive. What they learned was that there is only 15 per cent of the people on that housing register in need of a house. There were about 35 per cent of the people that they were meeting and also on that database who had a problem, but it was not a problem that required a new house. It was a housing-related problem. It might be something like: "Well, I am a keen gardener. I have got very old. I really cannot look after my garden any more. Maybe I should move to a bungalow." Whereas the right

solution is: "Get someone else to do the garden and stay where you are," if that makes sense. They were those sorts of problems. There were 50 per cent of the people on the database who would never get a house in a month of Sundays and had no need. I think your question was: "How would you scope?" I would not. What they now do in Great Yarmouth is they house the 15 per cent, they solve the problems for the 35 per cent ... well, they help them solve their problems in the community so they get a sense of taking responsibility for themselves, and they tell the other 50 per cent that there is no point in being on the waiting list as they will never get a house, which is interesting because you find that people are very happy to walk away knowing where they stand rather than walk away having filled in a form and getting a letter every 6 months saying: "Do you want to stay on the database," which is just an absurd waste of administrative resource. We are studying demand into policing. You might imagine if you are a chief constable that all of the demand hitting the front end of your organisation is to do with criminal activity and when you study it you would find very little of it is. So we are getting similar demand into housing, into social services, into policing and so you start thinking that really what you have got to do to solve these problems is understand the problems that are occurring in our communities and configure our services to solve the problems in the communities, which would have a positive impact on less demand into the particular services, if that makes sense.

Mr. N. McLocklin:

What about the importance of the empowerment of the person at the front end?

Professor J. Seddon:

Well, empowerment is a word I really do not like - I hope you do not mind me saying this - because "empowerment" is a very command and control word. You know: "I am a command and control manager. Oh, look, my people are not empowered. Let us put them on an empowerment programme." But then we put them back into my organisation, which stops them being empowered, sort of thing. So, I mean, just having accepted that, what is important about these designs is that people enjoy going to work to do to do a good job. When they have got measures that relate to the purpose of the service in their hands, that give them guidance on how they are doing and how they are improving, they do more work and they are less stressed. They are intrinsically motivated, rather than extrinsically motivated. Interestingly, when you take senior managers into these environments they always say: "What have you done to the people?" It is like this same preoccupation. The answer is: "Nothing has happened to these people. It is the system that has changed." So it is not an empowerment problem; it is a system problem, if that makes sense. I just do not like the word.

[15:00]

Mr. N. McLocklin:

That is fine.

Professor J. Seddon:

It is like: "I empower you," you know.

Mr. N. McLocklin:

The system empowers.

Professor J. Seddon:

Yes.

Senator J.L. Perchard:

Sounds fantastic. Something you did say, and I quote: "It soon becomes apparent if anybody is swinging the lead," we were talking about the plumber who went out to ...

Professor J. Seddon:

Yes.

Senator J.L. Perchard:

How does it become apparent without systems and personnel to monitor those systems?

Professor J. Seddon:

Well, it is visible, you see. If you walked into the Portsmouth repairs design, you would see boards with properties coming up today (you know, what time have you have got to be there) and tradesmen who are becoming free and you would see the tradesmen reporting on how long they are going to be. So anybody involved in this would notice if you, for example, always took a lot longer. It would be immediately apparent.

Senator J.L. Perchard:

Yes, that I only do 3 jobs a day or one job a week or whatever it was.

Professor J. Seddon:

That is right.

Senator J.L. Perchard:

So that is self-monitoring, is it?

Professor J. Seddon:

Yes.

Senator J.L. Perchard:

His colleagues would probably notice.

Professor J. Seddon:

Yes, colleagues notice. All the colleagues notice and, of course, another feature of these designs is management works very closely. Management does not sit away in an office somewhere. Management is out working on the work, working on the system. Management roles are designed to do the things that people cannot do; that are beyond their control. So managers are very close to the work as well so it becomes very easy to see.

Senator J.L. Perchard:

Yes. Thank you.

Senator S.C. Ferguson:

Are there areas where the public sector should just stop providing services?

Professor J. Seddon:

Could I take this later? I think question 4 builds on what we have just been talking about, but I do have an answer for this.

Senator S.C. Ferguson:

Yes, no problem.

Professor J. Seddon:

Would you like to read question 4?

Senator S.C. Ferguson:

I will indeed and then people can put it together. Based on your experience, are you able to provide potential benefits that can be achieved from cross-cutting transformation programmes such as customer service, procurement, accommodation, rationalisation, shared support resourcing, I.C.T. (Information and Communication Technologies) or finance payments? Have you found the savings greater than those achieved in service-specific transformation such as social services, health services, housing or education?

Professor J. Seddon:

There is an awful lot in this question, so I am going to pick a few pieces out of it. One thing that is implicit in the question is this idea that we might get economies of

scale, which is a prevailing idea in public sector reform all over the world. It is a myth. Economy of scale is a myth. There are 2 basic arguments for economy of scale. Firstly, that if we put things together we will use less of a common resource - perhaps less buildings, less I.T. systems, less managers - and that is obviously true. The second argument is that by industrialising the services - so we create a front office, back office, call centre/back office-type design or standardising the work, specialising the work - it will be cheaper. Now, that second argument is fallacious. In fact, when you standardise and specialise and create a front office/back office split in service organisations it creates more demand. It creates failure demand. So it drives your costs up. Let us move to some of these items. By customer service does this mean: "Oh, let us have a customer contact centre for the whole of the States rather than local ones"? Is that the kind of thing that it means?

Senator S.C. Ferguson:

No.

Mr. N. McLocklin:

It could mean that.

Professor J. Seddon:

Well, if it does my advice is: whatever you do, do not do it? Every council that has done this ... you see, the argument is that it will be cheaper. Move the telephone work to one place and it will be cheaper. What you find is most of the people who are ringing into these centres want to talk to some professional or expert in the local authority who is providing the service. I was with David Parsons, who is the

Improvement Board Leader for the Local Government Association and he is also the Lead Member for Leicester County Council, and I said to him: "I bet you created a call centre by 2005." There was a mandated Government target to do that in England. He said: "Yes." I said: "I bet when you opened it you had more telephone calls coming into it than you had in the plan." He said: "Yes, how did you know?" Well, because I have been watching this happen since 1980 when A.C.D. (automatic call distribution) systems first arrived and banks did this. You must not make the mistake of treating telephone work as though it is separated from other work. So if you did go for one States call centre I would guarantee you will drive your costs up. This is not an argument against providing service over the phone. It is an argument for understanding the nature of demand before you design the service and you will find, for example with high-variety services like benefits and planning, you cannot do it in a call centre. All you can do is service failure demand.

Deputy J.A.N. Le Fondré:

Can I just ask, is that because it is more people interaction? Therefore you are better off being effectively on the other side of the desk from whoever you are dealing with; is that what you are trying to say?

Professor J. Seddon:

Yes. If you have got a high-variety service it is better to meet people face to face.

Deputy J.A.N. Le Fondré:

Even though it might take slightly longer, individually the overall cost of treating that query is, therefore, less.

Professor J. Seddon:

That is correct and it is a good question because it illustrates that the true cost of the service is in the flow, not in transactions. My private sector clients, for example, come back from India. They went to India because they were buying a cheap transaction, but what they learn is a cheaper transaction can drive up the total number of transactions it takes for the customer to get the service and, therefore, the cost went up. You are right; the cost is in flow, it is not in activity. So that is the call centre thing. There is another broad implicit statement in question 4 about sharing services. It is related to the economy of scale argument. Surely it is obvious, is it not - it seems to be obvious to Ministers - if there are 6 organisations who are all doing H.R. (human resources) surely it is cheaper to share it. But one of the things that always puzzles me is if you put 6 H.R. Departments' work into one place do you suddenly get less of it? I do not think so. Now, what we have seen going on in England is sharing with an industrial approach, a scale approach; so this is basically I.T.-led industrialisation. We have a plan of what we are going to share. We specify what is going to happen in the front and back offices. We have built an I.T. system to manage the work flow. We launch and off we go. Now, I think a very good example of how wrong this is is the Department for Transport's shared services programme which was originally budgeted to save the U.K. taxpayer £54 million. It is currently costing £178 million and the costs continue to rise. What intrigues me is that, while this and many other examples of failed industrialised shared services abound, Ministers continue with the idea and they ignore evidence because it just does not fit the commonly held belief that it would be cheaper if we share it. We, of course, do a lot of work in the private sector on centralising services and the way to share services is to take a completely

different route. Our advice is you study them. If you have got 6 H.R. Departments you study them where they are as systems. The second step is you improve them where they are and the third step is you see whether there are any further improvements that can be made from less of a common resource. Okay? So the first 2 steps ensure that you get massive improvements from flow rather than scale, because economy comes from flow, and then the third step is you will get minor improvements from less of a common resource. It fits with all the other work that I do. It starts with study, then improve and then share. So you could do things like that with finance payments and I.C.T. I can give you a great example of I.C.T. Stockport Council, just outside Manchester, have an I.T. helpdesk. It is typical of the sort of thing that people would think you could share, because if you are way away from the work, as most Ministers are, you go: "Oh, look, you have all got I.T. Departments. Why do you not share them?" The same thing happens in the private sector. I was doing this with an I.T. company, Digital Equipment, years ago and they said: "Look, it is costing us so many pounds or Swiss francs to service these calls in Switzerland. Why do we not move them to Ireland where they will be cheaper?" People like me would ask: "Well, what are the calls about?" Managers did not think. Well, the fact of the matter is there was a post office system running in Switzerland that was unique to Switzerland. So, of course, when they moved the calls they had people in Ireland who could not solve the problems. You would think that was an obvious thing that managers should look at. Well, Stockport, when they studied their I.T. helpdesk they found it did not help; it pissed everybody off. So they followed this routine of: "Having understood the demand, let us build the right expertise into the front end to solve people's problems." They now have a helpdesk that helps and it operates at 17 per cent less cost. Now, from that position, if you have got a series of them that are

doing the right work and operating at less cost you could choose whether to share them. You would also have very good knowledge about whether the demand they are getting is the same or different.

Senator J.L. Perchard:

I put it to you that amalgamation makes sense of some services, despite the very good examples you have given me, simply because to every service there is a management team or a level of management and, of course, you cut out on that higher rate of salary. Are you telling me, even despite that, that by downsizing you can afford those inefficiencies?

Professor J. Seddon:

One of the things that I am saying to you is that you get much more efficiency savings from the redesign of the service, from economies of flow, than you will from less of a common resource. But I acknowledge fully that there would be savings from less of a common resources and I think one example of what you are talking about is adult care where you have got an artificial split between health and social care and it makes no sense whatsoever. It would make much more sense, and indeed we are doing work of this sort in Wales now, where we have an adult care service which deals with health and social care. As you say, then it will only have one infrastructure and, therefore, much less cost.

Deputy J.A.N. Le Fondré:

Have I got it right, that what you are saying is that you start off identifying what you are trying to do and then you can bring it together and then you can identify whether you can get rid of a management team or not, effectively?

Professor J. Seddon:

That is correct. If you are going to share things ...

Deputy J.A.N. Le Fondré:

Getting rid of the management team should not drive what you are trying to do.

Professor J. Seddon:

That is correct.

Senator J.L. Perchard:

That is right. Very interesting.

Deputy J.A.N. Le Fondré:

To pick up a further point then, I am just trying to put things a little bit into a Jersey context, if you like, because obviously on an Island 9 by 5 you have got similar problems on a far smaller scale. In terms of what we have been talking about, I think what my understanding of shared services might be ... would that be the equivalent of, for the sake of argument, I do not know, you have an organisation, let us say, down in Devon or something that could be processing or supposedly handling transactions for all of the south coast of England. Is that where some of the problems are arising,

because whoever is ringing in could be several hundred miles away from whatever you are trying to do?

Professor J. Seddon:

Indeed, we have exactly that problem in the southwest, it is called Southwest One.

Deputy J.A.N. Le Fondré:

Whereas in the terminology of a small Island of 90,000 inhabitants, say, that potential problem would hopefully be a lot smaller.

Professor J. Seddon:

Should be.

Deputy J.A.N. Le Fondré:

I suppose the other query then is, just clearing terminology up here, on the question here there was a thing called "shared support resourcing", which is one of the things in the question. I do know that within the States they have done a thing called shared services which is for things like central handling of invoices across all the departments. Now, is that different to the terminology you were using in shared services for, for example, I think it was for transport or something? What are they sharing, as it were?

Professor J. Seddon:

Sorry, ask the question again.

Deputy J.A.N. Le Fondré:

In terminology terms, shared services locally is a specific change that was done in the last expenditure review ...

Professor J. Seddon:

So all finance invoices are centralised.

Deputy J.A.N. Le Fondré:

... to centralise all processing of invoices and things like that in a central place.

[15:15]

Professor J. Seddon:

Does it work?

Deputy J.A.N. Le Fondré:

I believe it does. I know they reduced the number of personnel and I believe they consider they have an overall saving of between ...

Professor J. Seddon:

Have you asked the suppliers?

Deputy J.A.N. Le Fondré:

That I do not know.

Professor J. Seddon:

Is it creating failure demand elsewhere in the system?

Deputy J.A.N. Le Fondré:

That was the question you were putting into my mind.

Professor J. Seddon:

Yes.

Senator S.C. Ferguson:

Are the bills being paid late, for instance?

Professor J. Seddon:

Yes. These things you would only discover when you study it. It could be working perfectly well but I generally find ... My advice is study it where it is, improve it where it is - because you get big improvements from economy of flow at that point - then take a view as to whether you should centralise it. I am working with a private sector organisation that I cannot name here where they spent millions centralising finance administration and it has gone completely wrong because it was based on the idea: "We must be all doing the same thing. We are all part of the same organisation." Well, when you study it you realise there is lots of little bits of variety; you centralise it and standardise it; now you cannot absorb variety; now you create an extra cost. Standard Life is one that I can talk about because they have talked about it. We helped them create a central H.R. unit and we did it this way and it is

understand all those services where they are, improve them and now let us centralise them.

Senator S.C. Ferguson:

Where there is a common resource?

Professor J. Seddon:

That is correct. The third step gives you the "less of a common resource" saving which is the point you are making, Senator, about less managers or less I.T. systems. But those savings are much less than you get from improving the service.

Senator S.C. Ferguson:

Yes.

Professor J. Seddon:

Something else I just want to talk about on this question 4, which you talked about a little before we started. So many of our services are based on what we provide rather than what people need and it is for this reason that lots of beds have been consumed in hospitals, because there is nowhere else to put people and they should not be there. I talked earlier about in Great Yarmouth how many people that apply for social housing have another problem; it is better to solve the other problem and so on. We have got to get off this idea that we can specify the services we are going to provide. It would be much better to understand demand and build services that are relevant to local communities and individuals.

Senator S.C. Ferguson:

In other words, return some of the detail work to the local authorities away from Whitehall.

Professor J. Seddon:

Yes, indeed. I think you have also got to be quite tough about it. I think we need to say to the local authorities: "Go and get a good understanding of demand and show that you are doing that. Show that your policies are based on a good understanding of what it is that is happening in your communities." For a lot of local authorities that would be quite a challenge because they have never thought about studying demand. A lot of managers think you should never study demand because then you end up giving customers what they want and that will cost a fortune. That is wrong because if you study demand and give people what they need you will drive the costs out of the system.

Senator S.C. Ferguson:

Do you have to do a bit of education with people, that what they want and what they need is not always the same thing?

Professor J. Seddon:

Yes, indeed. A great example of this relates to your question 3 about things that we should stop doing. Whitehall in England has not given up dreaming up wonderful ideas for Ministers to talk about and one of the mistakes they make is they do something called "customer insight" and I am always reminded that just because it says "customer insight" on the label does not mean to say you get any insight at all.

So they bring people into focus groups and they say: "If you lived in Liverpool perhaps you would like to know that there is a website that will enable you to find a house in Portsmouth," or vice versa. The people in those focus groups say: "Oh, that would be wonderful."

Senator S.C. Ferguson:

Are they moving?

Professor J. Seddon:

"Let us do it. How much shall we spend on this?" Yet when you study demand into social landlords, zero; there is not any. Now, how much money are we going to spend creating the necessary databases, websites and infrastructure before we find out whether people want to move around the country?

Senator S.C. Ferguson:

So any other areas where the public sector should just stop providing services?

Professor J. Seddon:

Okay, let me ...

Senator S.C. Ferguson:

It is there but I have not gotten to it.

Professor J. Seddon:

These are very U.K. Our local authorities spend quite a lot of money on public relations: sending out letters and magazines and newsletters telling us how wonderful they are. Most of us do not really care. Most of us just want the services to work and when they do not work we get a bit uppity; when they do work we are completely content. If you have any budgets for doing that sort of thing, I would get rid of all of that. They talk about this in Whitehall as "moving channels": "Let us stop providing services face to face; let us move them on to the web." Stop doing that because you find people cannot get the value they want from things on the web most of the time, particularly if you are talking about things like planning services, benefit services, those kinds of things. You can use the web for things like booking the squash courts. So you have got to be very careful about what you choose. We wasted a lot of money putting things on to the web and people cannot get the value they want from it. We have also wasted a lot of money (again, these are political initiatives) on things like public health. We are concerned that people are putting on weight and people are smoking too much and people are drinking too much. So we put money into initiatives to stop these things happening, but nobody ever closes the loop and takes the measure of: "Well, have we changed anything as a consequence of the programmes?"

Senator S.C. Ferguson:

You mean all those silly little leaflets that appear in doctor's offices?

Professor J. Seddon:

I am not arguing against trying to experiment with methods to help people. I am arguing for closing the loop and providing some measures and experimenting. What

we tend to do in England is we work it out in Whitehall: that is the programme; that is what we are going to do; that is what we fund, and then their evaluation of success is how many people are signed up to the programme, which is absurd. So, yes, those are my answers to question 3.

Senator S.C. Ferguson:

Thank you.

Senator J.L. Perchard:

Very good. Question 4 that was.

Senator S.C. Ferguson:

Yes. Based on your experience what are the biggest reasons for business transformation benefits not being realised?

Professor J. Seddon:

Leaders not understanding it.

Senator S.C. Ferguson:

Yes.

Professor J. Seddon:

We have been doing this for quite an amount of time now. It is very tricky if a local authority has adopted these ideas, improved the services and then they hire a new chief executive who is not a systems thinker, is a conventional manager. He or she -

usually he, because men seem to be more wedded to convention than women - try to re-impose the controls they think are necessary without understanding these things were taken out because they were sub-optimising the system. They were not controlling at all. So that is a tricky problem in both the private and the public sector.

Senator S.C. Ferguson:

Yes. You are obviously getting it across to the people who work in the sector. How do you cope with the problem of getting it across to their political leaders?

Professor J. Seddon:

Political leaders are very difficult but we do invite the political leaders in local authorities to engage with the executive leadership in the first steps of the work, which gets them started.

Deputy J.A.N. Le Fondré:

When you say that one of the problems is the people at the top, do you tend to think it is ego, lack of vision, lack of flexibility, it is not my idea or ...

Professor J. Seddon:

No, it is just conventional. I think in a conventional command and control world we assume the higher up you are the more you know.

Senator S.C. Ferguson:

It obviously is not.

Professor J. Seddon:

No. We were talking earlier, I am in the fortunate position where people come to me for help and it starts with they must come out and work to start understanding their whole place as a system and if they will not do that then I cannot help them.

Mr. N. McLocklin:

Where do you think the leadership should come from? You have already highlighted that Whitehall is an issue and that there is so much change in the local arena as well; commissioning you talked about as well and all that changes. Where would the leadership come from?

Professor J. Seddon:

One of the good things that the new Coalition Government has done is England is placed responsibility clearly with the local managers to make decisions about how to design and manage their services and I do not think it is a soft option. I think it is quite a tough option. I do not think they are doing as well as they might in communicating that and sticking to that position. If you want innovation, responsibility has to be with the innovator. If we put the responsibility in Whitehall then we will get compliance, not innovation.

Mr. N. McLocklin:

Do you think there is that leadership there and, if not, how would you enable that leadership and would you incentivise that leadership in any way?

Professor J. Seddon:

No, nobody uses incentives. They always give you less work. I talk about this in my book. I think the first thing is it is good that we have got responsibility in the right place. That raises the question: "Well, what do you want the centre to do?" I think it is perfectly appropriate for the centre to identify extraordinary improvement. Not marginal improvement, not 2 per cent or 5 per cent, but 40 per cent or 50 per cent, big improvement, and to talk about it. Not to turn it into a specification, however, but simply to identify that it was there, that the result has been achieved, that maybe it has been audited as proven, and then I think to also publish what problem it was that the managers there had set out to solve. I think that is very important. Rather than publish the recipe, publish the problem; because I think the first question every other manager has got to address is: "Have I got that problem?" I think it is also perfectly appropriate for the centre to say: "Well, we think we have got some clever ideas", but the centre should not have a privileged position vis-à-vis other people with clever ideas and local authority managers should be free to choose where to take their ideas from and the ideas people in Whitehall would stand or fall according to whether they are being used. I think that is entirely appropriate, because one of the problems that I have had in the last 10 years is that Steve Bundred, as was the Chief Executive of the Audit Commission, if he thought something was a good idea and I did not it was not exactly a level playing field.

Senator S.C. Ferguson:

But to go back on something, you said that incentives mean less work.

Professor J. Seddon:

Yes. Whenever you incentivise performance, set up a contingent relationship: do this to get that - psychologists know this, I do not know why managers do not - you always get less work. People focus on getting the incentive, not doing the work. It is an extrinsic form of motivation and this very well published or it is very well evidenced. A popular book that summarises the evidence is a book by Alfie Kohn called *Punished by Rewards*.

Senator J.L. Perchard:

Most mothers know that as well.

Professor J. Seddon:

Yes, indeed; same with training animals.

Senator S.C. Ferguson:

You might apply it to the banking industry.

Professor J. Seddon:

It should have been, should it not?

Mr. M. Oliver:

In that case, how do you give people bonuses if you are not using targets and all the rest of it?

Professor J. Seddon:

I could never understand why it was that in 1980, whenever it was, Cedric Brown, who was the Chief Executive of British Gas, went from something like £40,000 a year to £250,000 on Monday and he was the same fellow as he was on Friday. That was driven by Dick Giordano, an American, and he took the view that British managers were too wedded to their mortgages and we need to make more liquidity and we need to pay them lots more. I do not understand what the justification for that is but your questions about bonuses ...

Mr. M. Oliver:

Rewards.

Professor J. Seddon:

The trouble with bonuses is when you make them contingent. If you have a profit-sharing system which is non-contingent, for example in the John Lewis Group and many other big companies, then you do not have a deleterious impact on performance. It is a gain share: "Everyone has done well. Let us share the benefits from that." If you set up a system where people are targeted on particular things to earn large bonuses then they will do that in spite of the impact of that behaviour on the system.

Senator S.C. Ferguson:

What sort of areas and amount of investments are required to achieve transformation of public services?

[15:30]

Professor J. Seddon:

The most significant investment, and it follows from things I have been saying earlier, is leadership time. Leaders do not think they need to take the time to get out and study their own systems and redesign them. If leaders do not do that, this will never work. It does not work. There is not a great financial investment. It is mostly human cost, time for leaders working with their people to study and redesign their systems.

Senator S.C. Ferguson:

So it is managers and so on getting out and mixing with the workforce.

Professor J. Seddon:

Yes, and studying what is going on. We were talking earlier about this. When we work in big companies, multi-nationals and so on, the thing that gets it all started is you put on short-action learning exercises where the senior executives go into a part of their business and study it. It is really important, you see, because if you put them in a room and you say: "Managing costs causes costs," they argue with you because they are pretty good at managing costs. If you say: "Using targets and other arbitrary measures will make your system worse," they argue with you. If you send them out to study things, where the learning outcome is either of those things, they will never argue with you. They see it and you cannot argue with that. You have also taught them a different way of looking at work. If you must not manage costs you need to manage value. By going out and studying: "Well, what is the nature of demand?" for example, in the health system, how good are we at understanding what is wrong with people and then treating them? Those are all bits of managing value and they will get a terrible shock when they realise that we do not understand demand, we do not

measure it, we are not very good at diagnosing people but we do all these other things. Why are we doing them? Because we have all these activity targets and we are not very good at this for the same sorts of reasons and I have learnt this as a psychologist. You cannot teach this in a room because it is counterintuitive to a conventional mind-set. Once you have them through the counterintuitive loops then you can teach them things.

Senator S.C. Ferguson:

So, you are not really in favour of things like using hospital waiting lists for a measure of performance?

Professor J. Seddon:

No. I mean, it is a very interesting thing. To a system thing a waiting list is a bit like a backlog and you are terribly interested in whether it is stable or unstable and of course people manipulate waiting lists. The purpose of a health service is for every demand to be speedily, accurately diagnosed and then every treatment to be provided on time as required, then if you go out and measure how well we do the first part that is when you get the necessary shock that will get you thinking about how to redesign them. Bed management is another absurdity. In England we even have people called bed managers.

Senator S.C. Ferguson:

Yes, we have one of those.

Professor J. Seddon:

It is bonkers. You are managing the wrong thing. If we can improve the way we flow and treat people we release the beds. If we start having bed managers we will kick people out when they should not be kicked out and then they come back in again.

Senator S.C. Ferguson:

Partly perhaps people have not really understood what the population want from a hospital. I mean, Joe Public wants to go in when he needs to, be treated as quickly as possible, and get out as quickly as possible, so we get involved with the hospital experience. We want to give them a good experience in hospital. Well, they do not want to be in hospital; they want to be out.

Professor J. Seddon:

Yes, of course.

Senator J.L. Perchard:

That is all wonderfully sensible and very exciting and inviting, but how do you make that transformation? How do you change Jersey's General Hospital culture, the culture you have just described, without serious analysis of PwC or yourself or somebody and investing in the change, and investing may mean buying out senior managers who are reluctant to change, that you have to say: "Well, it is happening. The boat is leaving, are you coming?" If not you will have to settle with them and replace them. How do you make this transformation? How does it happen? How can you do it?

Professor J. Seddon:

Well, you do not want a conventional consulting firm because most conventional consulting firms send in the suits to do an analysis and then write a report and all that does is drive up the amount of argument.

Senator J.L. Perchard:

Yes.

Professor J. Seddon:

The work has to be done by the chief executive and then a cross-section of the managers working with the staff to study and then redesign the system and you can do it one service at a time. In Plymouth they have just done stroke care and they have halved the cost of stroke care and improved the quality of service. No one would have put those numbers in a plan. Here is another counterintuitive thing, no plan required. The only plan is get out and study. So, if the chief executive is not interested in getting out and studying nothing is going to happen. If the chief executive is then he or she could choose a particular service to go and learn how it works, how the method works, go up there with the manager, with the people, study it, redesign it, and then if there are managers around who do not want to play that becomes a management issue for the chief executive and that does happen.

Senator J.L. Perchard:

Of course, yes.

Senator S.C. Ferguson:

Right, so we have touched on your opinion of top down targets and I think another favourite saying of yours is: "Benchmarking is the fast track to mediocrity."

Professor J. Seddon:

That is correct.

Senator S.C. Ferguson:

Would you like to comment on that?

Professor J. Seddon:

Well, yes, if you take Portsmouth as an example it is quite interesting. Portsmouth, if I can put it like this, has achieved an economic benchmark. They were the first to deliver a repair service on the day at the time you want it at half the cost. That is an economic benchmark. When the Audit Commission visited just before it died, in fact not quite dead, they downgraded Portsmouth and one of the reasons they downgraded Portsmouth is that Portsmouth does not go benchmarking. Now, I thought it ought to have occurred to the numpty inspector that you would not have achieved that level of performance improvement by visiting other people. I learnt from Deming that you never copy without knowledge and I learnt from Taiichi Ohno that everything you need to know to improve your system is in your own system. Do not visit somebody else. So, the benchmarking fraternity would argue: "Maybe we should visit Portsmouth now, now that it is extraordinary" but if a conventional housing manager visited Portsmouth they would have a fit because they would not understand what

they are looking at. There is no schedule of rates. How are they controlling the costs? Well, the schedule of rates drove the costs up. The time when you should have visited was when the managers were studying the system and discovered that the schedule of rates drove the cost up. If you visit them now you will think they have something missing and you think that things like asking the tradesmen: "How long are you going to be here?" is obviously for the birds. This is not proper management and they would not understand, for example, how all the work that went into the material flow. There is an absolutely amazing amount of detail in understanding the predictability of use on a time series data. They would not have seen all that work going on. They would simply look at it now and they would say: "Oh, well we do not like some of what you are doing with materials because the unit cost is higher than we pay in our place" but the point is the end-to-end cost is lower.

Senator J.L. Perchard:

This is the most fragile of the points you have made for me. I think if you say you have nothing to learn from another provider, whether it be a German provider, a Japanese provider, a Russian provider, or the council next door, is extraordinary. Surely we all have something to learn from another provider.

Professor J. Seddon:

Yes, that is if we are all rational, but unfortunately ... and I have experimented with this. If you send conventional thinkers into a systems design they are looking for the things they are familiar with and they find it hard to conceptualise the things they are unfamiliar with.

Senator S.C. Ferguson:

Yes, because you have another example in one of your books where you talk about, again it is a servicing problem where in fact people were making schedules for the men servicing, I do not know what it was, washing machines or something. The central office made the schedule for them whereas in effect when the engineers were able to do their own schedules they not only got them in better geographical order but also in order in terms of parts they needed: "Well, if I do not get the parts until the day after tomorrow it is no use scheduling it for today" and so on. But this was not quite the same way perhaps as Portsmouth, but the same principle that you are shifting the responsibility down to the people doing the work.

Professor J. Seddon:

For Senator Perchard, let me give you an example of a counterintuitive truth. For audiences at the moment, because it is rather fun, I am using a little bit of videotape of someone from a sales organisation and she works for one of the big insurance companies in the U.K. and she describes how she was told that she was going on to this work through a system of redesign, the sales organisation, and that she had read the book and she was kind of interested and there were some sensible things in there but then she hit the 95/5. The 95/5 is that we say that 95 per cent of the variation of your people's performance is down to your systems; it has nothing to do with the people. So, if you are managing the people you are working on the 5 per cent. Now, what is great about this tape is she says: "Well, that must be wrong because I have done that job and I have been a team leader and I have been a coach, and now I am a manager, and I know people who I had to teach how to sell and I know that in selling it is people that make the difference so I am going to go out and prove these people

wrong." You see, she knew she was right. So, she said: "I took 50 calls and I listened to these, because we have these recording machines for inspection purposes. I took 50 calls and I listened to 50 calls and what I discovered was that in only 2 of those calls did my people make any difference." So, she started learning and it opened the door. If you took another conventional salesperson into that current environment where they do not have any sales targets and sales were improving they would look at it and they would go: "Well, it would be better if they had some targets." It would be better if we had the conventional things because if she tries to change their mind-set by argument it would be the same as she was on the receiving end of in the classroom that started her off and how did she react? She just ...

Senator J.L. Perchard:

Can I just look at it from the other end of the telescope in the sense that you could look at your neighbouring county council or service provider to see how far you could push the boundaries of this philosophy, rather than how to hold it back. How far can you go?

Professor J. Seddon:

Well, again, that assumes it is rational. The switch is counterintuitive. I have met a lot of people who were taught by Taiichi Ohno, the man who built the Toyota Production System. They are all Japanese and in their 90s and they say the same thing. They say: "Mr. Ohno never explained. Never explained. It is not a rational thing. He would stand you in a factory, tell you to study it, if you have not learnt the right things after a few weeks of studying it he would nudge you off in a different direction but he never explained and I know why, because you are going to realise

from counterintuitive truths and they are not communicable." If you try to explain them to other people you just create arguments and that is why there would be a lot more people doing this if it was rational and it is rational once you have made the leap.

Mr. N. McLocklin:

Is that a continuous change in mind-set, or is it ...

Professor J. Seddon:

It is a one-step ... it is a different logic.

Mr. N. McLocklin:

It is a one step change but does it self-reinforce the ...

Professor J. Seddon:

Well, the more important thing is that the organisations that have adopted these designs become more sustainable because they are orientated towards demand, so as demand changes they can accommodate it much more so than being ignorant of demand and being ... they do not think: "Push", they think: "Pull."

Deputy J.A.N. Le Fondré:

Can I go back to benchmarks? I expect I know the response but I think I will just pose the question. Certainly over here it has been held up from time to time: "Oh, yes, well we have compared Jersey to the comparable councils in the U.K. and we are performing consistently with more ...-" whatever it is. I suppose an example I can remember from within the last year, or year and a half, is that sickness levels here are

the average compared to the public sector in the U.K., that type of thing. What is your reaction to that sort of reaction?

Professor J. Seddon:

Well, I write a lot about this phenomenon that I describe as failure demand and I remember bumping into some people in financial services who had apparently been out benchmarking failure demand and established that everyone has about 40 per cent and therefore this is normal. I think that says it all, does it not?

Deputy J.A.N. Le Fondré:

A slightly fallacious argument. **[Laughter]**

[15:45]

Professor J. Seddon:

Two examples, yours and mine, of showing how benchmarking can lead to complacency and the joke in manufacturing is that if Toyota ... these things that happened in Toyota happened in the 1950s it is nothing to do with what is happening now, but if Toyota had been benchmarking in the 1950s they would have stopped. They were so far ahead. So, I know it is an unusual thing to say, but any manager that knows by studying your own system you see everything you need to improve it, they would explain to you there is no value in visiting somebody else. In fact, it is quite a waste of time. We have had this scheme introduced by the last government called beacon councils. If you get beacon status it means that you should welcome visits from others who have come to learn from you and then academics do research asking

those who are of beacon status whether they thought it was a good thing for general learning and those who visited whether they thought it was a good thing. I mean, what are they going to say? Of course it is. I am at a beacon council in the North West of England that has a beacon call centre and according to information in the chief executive's desk 85 per cent of the demand is handled one stop and to a systems thinker it became immediately apparent that their definition of one stop was: "We cannot do anything more with it." When you took a citizen's definition of one stop the answer was less than 5 per cent and that is beacon status. We can all be crap.

Senator S.C. Ferguson:

With your system, does your analysis usually lead to organisational changes?

Professor J. Seddon:

Yes, and it is very simple, when you go out and study something and get knowledge it becomes compelling. The energy is developed. It is quite interesting. When you first start people are quite naturally resistant, especially the leaders because they think there is nothing they need to know, they pretty well know everything, and once they get started it becomes quite compelling. In fact, you have to hold them back because they are dead keen to start doing things immediately, whereas they have not really understood the full picture. The knowledge generates the motivation to make the change, unquestionably.

Senator S.C. Ferguson:

What impact on public services do you think the States of Jersey should anticipate from the spending review plans it is proposing.

Professor J. Seddon:

By this do you mean the 2 per cent this year, 3 and then 5?

Senator S.C. Ferguson:

Yes.

Professor J. Seddon:

Well, the honest answer is you cannot know. You cannot know. If your organisations are fat, full of waste then there might be no harm at all in these plans. If they are not you just do not know what is going to occur. I mean, think about what is happening in England at the moment. In the health service, instead of cutting out the bureaucracy you are actually cutting the nurses because it is the managers who deliver the cuts. It is not very clever.

Senator S.C. Ferguson:

Yes, and turkeys do not vote for Christmas.

Professor J. Seddon:

That is right and Deming always used to say: "If your plan is to improve by 20 per cent this year, what were you doing last year?" Managing from the budget is quite simply absurd. You never know what is going to occur if you just go about cutting costs and of course you do have the risk that managing cost will drive your costs up. So a typical thing would be what we talked about earlier, someone might have the idea that it would be cheaper to create one central call centre for the whole of the

Islands. My bet would be it would drive your costs up. So, you really cannot know how deliverable it is and what the impact would be.

Mr. M. Oliver:

Some people would criticise your position from where you are coming from because you are quite rightly saying you do not know, it might deliver you £60 million, £80 million, £100 million, I do not know. But would some people criticise you for being woolly on that because their thinking is: "Well, you must know. You must know where you are going to get to."

Professor J. Seddon:

Yes, I know, and it is very interesting. Very often when I am asked to work with private sector clients they say to me: "Well, we need a plan. We need to know how much we are going to save if we redesign our system." I say: "Well, we do not know. How can you know?" They say: "Well, all the other consultancies will tell us." My response is: "Well, they lie." They do.

Mr. M. Oliver:

So, on that basis then perhaps we should forget a target for the C.S.R. completely and just focus on redesigning and then see what happens?

Professor J. Seddon:

Well, no, government has a responsibility to allocate a budget but you could in parallel get managers who deliver services to start studying the services and realise much greater benefits than you currently have in your plan. Managers in private

sector companies expect you to have a plan. I often say to them: "Have you ever seen a 5-year plan that says we are going to get worse?" Have you noticed how we never go back to our plans? My point is that plans are not based on knowledge. Change should be based on knowledge. Change that is based on knowledge is emergent and when you deliver a change that is based on knowledge you achieve a level of performance that you would not have put in a plan. Owen Buckwell would not have put in: "We are going to halve the cost of service and deliver a repair on the day at the time the tenant wants it." He would have been laughed out of the building, but that is what he delivers. Nobody would have said: "We can deliver housing benefits and solve all of their problems in 3 days and operate at 40 per cent less cost." Nobody would put that in a plan.

Senator J.L. Perchard:

Is it true to say, John, that when you are looking at the possible levels of saving in some services, for example, housing stock repair, of anything between 20 per cent and 40 per cent, most of those savings will result - at that level of reduction - in salaries rather than materials, for example?

Professor J. Seddon:

Well, in housing repairs sometimes you have a bit of a problem because these designs increase your capacity. If your housing stock is poor then you will do more repairs and your costs will go up but, yes, the savings come from materials and from less management, less costs than IT systems.

Senator J.L. Perchard:

Why materials, a pane of glass is a pane of glass, even if you fit it 2 months later.

Professor J. Seddon:

Yes, but you see you are only buying what you are using. So, you also have less stock, so you work on material flow. It relates to the question earlier about procurement. It is a very dangerous thing, procurement. It is another one of these plausible ideas. We all buy pencils, why do we not buy them cheaper? What matters is that we are buying pencils at the rate they are being used. That is how you drive the costs out and you can have a higher unit cost but your total costs are lower.

Senator J.L. Perchard:

Yes.

Mr. N. McLocklin:

Going back to the organisational change issue and also the analogy you used before about beds, getting people back into the community and all that sort of stuff, certainly in the U.K. a lot of that issue is around the silos and all the different public sector organisations. You start with the acute trust going into the P.C.T.s (Primary Care Trust), going into the social services, charities, and all sorts of things. So, if you are to look at that type of thinking then you are looking at beds, but the similar problems over here, where do you define that organisational system, and how do you change that thinking when all the ...

Professor J. Seddon:

Well, let us start at the back end, which is the wrong end. If you are working in a hospital, and as you have established there are an awful lot of people here who are not getting released into the community because we have not done the necessary work to enable them to go home and that is predictable, then you would design the resource into the ward, would you not?

Mr. N. McLocklin:

The resource to release them?

Professor J. Seddon:

If there is a predictable volume of people waiting in hospital for someone from social services to turn up and sort them out so they can get home, if that volume is predictable then you would not have that resource in social services, you would have it standing in the ward to a systems thinker because you improve the flow. But the bigger prize is to work upstream at the front end because I think what you find is that there is an awful lot of people going into hospital who should not go into hospital. There are also a lot of people going into care homes that should not go into care homes. If we take care homes for a moment, in England we have been obliged to work to ... adult care services and children services, but in adult care services we are obliged to work to something dreamed up by the Commission for Social Care Inspection which is now the Care Quality Commission and when you study what is going on ... you would think that an old person when they have a problem would be visited by someone who could sort them out, would you not? Well, no, when you

study what is going on it is not one person, it can be as many as 7 different people filling in their own forms for their own departments, protecting their own budgets and then arguing about whose case this is, meeting all their assessment targets and so on, so appear to be meeting their targets but the interim time from when you present as having a problem to when you get a solution could be years. What do you suppose happens to those people? They deteriorate. So, what we find is that we are driving ... people who want to stay in their communities and get some support and live with dignity and so on are being driven into care homes. Now, in Wales, because it is not run by Whitehall, we have been able to redesign the services and this is published by the Welsh Audit Office and we are able to provide people with care in their communities to do what they want to do with dignity and it is much cheaper. We are saving money on the cost of administration, hence we are not running around having 7 people getting involved, and not having to have the computer systems. We are saving money on materials because we are getting materials to people as they need and we are not wasting materials, but the big saving is we are not driving people into care homes. We are saving millions in that regard.

Mr. N. McLocklin:

I am just thinking that obviously the States of Jersey are controlling all those levers. It is in potentially a better position than a lot of the U.K. equivalents.

Professor J. Seddon:

I am sure. Yes. Similar to Wales, I suppose, but you are not as big as Wales. Yes, in any small place things just go faster because you can talk to each other but there is no reason why ... we talked about this earlier, there is no reason why you should not

design an adult care service that has the necessary care both health and social, designed in one.

Mr. N. McLocklin:

Absolutely.

Senator S.C. Ferguson:

Thank you very much indeed, Professor Seddon. Thank you very much for your time. This has been extremely interesting.

Professor J. Seddon:

Thank you. Thank you for the invitation.

[15:56]