Public sector targets: doing less of the wrong thing is not doing the right thing

This paper was sent to Ruth Kelly, Minister for Communities and Local Government, on January 2nd 2007 with the following accompanying note:

Dear Mrs Kelly,

Firstly I should commend your recent White Paper for providing a framework within which the systems approach might be more easily employed by local authorities. I say this because much of government regulation has impeded the systems approach; regulation has acted as a barrier to improvement.

The White Paper's framework aspires to 'citizen-focused' local government and much of that can be achieved through what systems thinkers describe as 'designing against demand': citizens experience getting what they want quickly and efficiently; and costs fall as services improve. As some of your officials know, there are now many examples of the systems approach delivering performance improvements that would have been thought inconceivable if set as targets.

There are, however, significant issues with the White Paper that may only serve to obviate the purpose set out. As my time is limited and the need to influence matters urgent, I deal with the first issue – targets – in the attached paper. Later I shall send a paper on the issues and risks associated with citizen engagement, for I fear you may create specifications or regulatory requirements that are plausible but will instead undermine achievement of purpose.

This letter and the paper will be placed on my web site to encourage those who have practical knowledge about the issues raised to engage in debate with your officials around the country.

Yours sincerely

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Are targets improving performance?

The White Paper asserts that targets have led to improvement:

> **6.8 There is strong evidence of rising performance within local government across a wide range of services and functions.**
>
> **6.9 A basket of Best Value Performance Indicators (BVPIs) designed to give a balanced picture of performance over time, shows councils have improved by 15.1% between 2000/01 and 2004/05**

I am reminded of Nick Raynsford's conundrum. Speaking to public sector managers he observed that while BVPIs were showing improvement, public satisfaction data were showing otherwise. He rationalised this dissonance by saying the public took time to change their views and their expectations were rising.

The truth is improving achievement of targets has actually been making services worse. I know this to be true for every service Vanguard has studied. One might think it remarkable that, for example, a target to see people who want housing benefits within fifteen minutes is the cause of poor service and high costs. The target results in

people having to visit their local authority a significant number of times to get the service they want and deserve.

Ministers equate activity with service. To focus on how quickly people are seen, or letters responded to, might appeal as a political sound bite, but these and other arbitrary measures drive waste into public services.

I have illustrated these problems in some detail with respect to Housing Benefits and Adult Social Care in previous correspondence. Vanguard's work in Housing, which showed the same problems, and demonstrated profoundly better solutions, has been the subject of evaluation and reports from your own department.

In these and every other service we have studied, we are able to show how targets are the cause of high costs and poor quality service. We have also shown how taking measures derived from the work, based on what matters to citizens, can lead to astonishing levels of improvement.

What is the evidence?

The evidence relied upon for the White Paper's assertion (that targets have led to improvement) comes from CPA and Best Value inspections. CPA and Best Value are neither reliable nor valid methods of assessment.

In my earlier criticism of Best Value ("The Better Way to Best Value", March 2001) I remarked how the majority of Best Value reviews determined that 'more resources were needed'. It illustrates the validity problem, for most public services are replete with waste; it is simply that Best Value's lack of any coherent and efficacious method prevented anything useful from being learned. You should be congratulated for removing some aspects of Best Value from statute.

Nowhere in the Audit Commission's work do I find evidence of, or concern for, investigating of the reliability of either method of inspection; that is to ask: if a series of inspectors conducted CPA or BV inspections in the same authority, would they come to the same conclusions?

Inspectors may, for example, on their judgement of BVPI attainment, but the attainment of targets is not a reliable nor valid indicator of what the citizen experiences, I shall return to this problem.

These days inspection goes far beyond targets; inspectors seek evidence of adherence to mandated features for the design and management of services. Thus in some gross observations (for example, do you have a call centre and a CRM system?) we may find that successive inspectors could make reliable (the same) judgements, but this takes us back to the validity problem: does having a call centre and CRM mean the authority delivers better service?

Ministers equate access with service. All of the call centre 'beacons' I have studied exhibit large volumes of 'failure demand' (demand caused by a failure to do something or do something right for the customer) and related waste in their service flows. Thus while an authority can get 'ticks in boxes' for having a call centre and CRM, the citizens' experience of service provision is dire. Moreover, creating the call centre (front-office / back-office) design has locked in waste and made the organisation more difficult to improve. The mandated CRM system effectively institutionalises the waste (progress-chasing failure demand) and managers become preoccupied with managing the activity that has been created, blind to the fact that they are managing waste, for it remains invisible to inspectors and managers alike; instead both focus on adherence to specifications and achievement of mandated targets; which are, paradoxically, central to the performance problem.

The only acknowledgement of the lack of validity in inspection I have been able to find is in CSCI's publication 'The state of social care in England 2004 - 05' Para 12.33:

"There is no statistically significant correlation between a council's star rating and the performance of local services".

But nowhere is this thought followed up. Knowing that the measures are not valid does not stop star ratings being used. We reported the same in our paper on Adult Social Care, despite wide variations in star ratings Adult Care services in a group of authorities all showed the same dysfunctional features and had similar sub-optimal performance. There is no indication given of what CSCI think would be useful data or any indication that they desire to collect more useful data.

The people at CSCI, like the many other specifiers, are just doing their jobs, as directed by their ministers. It is the ministers' responsibility, not the specifiers, to change things. People in the specifications industry don't now what they don't know. They don't know, for example, that many of the things they mandate undermine performance; they don't know that measures of capability would be both valid and reliable measures and therefore be much more useful in understanding and improving performance. I shall return to this. Some appear to know that their current ideas cannot be relied upon, but they are unable to do anything about it.

Why do we believe in targets?

People tell me there is now a general consensus that targets have failed to achieve their purpose but the idea of doing away with them is said to be inconceivable. I think this position shows a lack of understanding of the extent of the problem; for if you had seen what I have seen over the last few years you would abandon all targets with confidence you have at least stopped doing the wrong thing. The position also reflects peoples' beliefs in some ill-conceived notions.

The most common beliefs are:

Targets motivate people. They do, they motivate people to make the target, regardless of the impact on the system. This some people acknowledge, but then they turn to the idea that it comes down to being able to set the right target. I shall return to the question of whether there is a reliable method for setting a target shortly. People also claim that 'cheating' or 'gaming' is limited and deviant whereas I am confident it is ubiquitous and systemic.

Targets make people accountable. They do, but who should be held accountable for the fact that achieving targets makes services worse?

Targets provide a sense of direction. They can if stated in general terms, but as soon as you attach an arbitrary number to any statement of direction and send that down a hierarchy, you are in trouble.

When Deming first taught me how and why targets made performance worse, I had no difficulty following his logic so I reproduce it here in a simple form:

There is no value in having a target, as it is an arbitrary number; by its nature it will drive sub-optimisation into a system. It is, however, vital to know how the system actually performs – its capability (a real as opposed to arbitrary number). Lets say, for example that a system regularly performs at a capability of '10'. If a target is set beyond the current capability, say 15, managers have to either re-design the work, distort the system (for example, through arbitrary cost cutting) or cheat to 'make their numbers'. If managers do have the know-how to re-design the work, might they stay at 15 when they discover that they could get 25? If they did have that know-how, why had they not done this before?

If a target is set at or below the current level of capability (10 or less) what incentive is there for managers to improve? Might there be a disincentive to stand out from the crowd? Many people would 'slow down'.

In truth, all systems exhibit variation. So our capability might be an average of 10 but it could do as little as 7 and as many as 13, and all results in this range are just as predictable, this is normal variation. To set a target within this range would mean sometimes you win and sometimes you lose. It is this lottery style management that has created the 'sweat shop' phenomenon in call centres and 'back office' factories. Sadly this disease has now arrived in the public sector. To avoid failing their targets managers learn to cheat. Their ingenuity is focused not on improvement but survival.

While managers may indeed survive, their attention to variations in data points, treating them as different when they are, in fact, just as probable, means they inadvertently increase the variation in the system – so they survive even as performance gets worse.

But managers do not 'see' that what they are doing is having such an effect, for they do not measure their organisation's capability – what it is predictably achieving from the customer's point of view and the extent, and causes, of variation; instead they are preoccupied with managing performance against targets. So I return to the question:

Is there a reliable method for setting a target?

If you ask managers by what method one should set a target, you find the following:

Base it on experience. Take last year's performance and add/subtract 5 or 10%. But if the system includes 40% waste, this is not a reliable method. An analysis of waste might reveal there is scope for 100% improvement.

Set a 'stretch'. It is to put one's finger in the air. The diametrically opposite view to 'base it on experience'. How can this be argued to be reliable?

Yet consider this: local authorities employing the systems approach achieve, for example, all planning applications and benefits processed in times that would never have been conceivable, even as 'stretch' targets. The managers responsible for these improvements know that the improvement followed a change in their thinking about measurement.

Let the subordinate decide. Some have the idea people should set their own targets. This inevitably leads to speculation that the subordinate, the one responsible for achieving it, will try to make it 'soft'; the superior party will seek to make it 'hard'. This is not a dialogue based on knowledge; it will lead to a culture of mistrust.

Ask the customer. A way to create a rod for your back. Police forces, obliged by the Home Office, asked citizens what they wanted from police and found the 'wish list' (policemen visible at all times of my public activity) led to forces spending time being visible, not the same as being productive. Local authorities spend vast sums on opinion surveys, seeking opinions from those who have little interest in or first-hand knowledge of their services. It can only lead to unreliable data and invalid conclusions.

Becoming citizen-centred

People take their view of any public service from the transactions they have with it. It is incumbent on police and other services to understand the nature of customer (citizen) demand and design their system to respond to that efficiently. West Midlands Police, to take just one example, transformed the citizen's experience of call handling in a very short time using the systems approach, it is to design the service(s) against demand – citizens want services that work.

Many of management's targets are derived from their budgets. Public sector managers have been persuaded (wrongly) to the belief that service management is concerned

with solving the following operational equation: How many people do I have? How much work is there to do? How long do people take to do it? It follows that targets are set on the basis of trying to improve activity. It is to assume that the worker's activity is the key to productivity. But, as Deming taught, at best this is working on the 5%, for the true levers for performance improvement lie in the system – the way the work is designed and managed. Working on the system, Deming showed, is to work on the 95%.

Citizen-centred measurement

Instead of being managed with activity data and arbitrary targets, workers in front-line services and their managers need measures of capability – what the service is actually achieving for the customer, from the customers' point of view. It is an essential system measure; it enables working on the 95%.

What you always learn, when you first establish capability measures, is that achievement of targets is an entirely unreliable and invalid indicator of performance. It is unreliable, in that, for example, to know that 80% of things get done in say 8 weeks (a common target) is to know nothing about how long it predictably takes from the customer's point of view. It is invalid for it always measures service from an internal point of view – how each function achieves activity targets. It is to know nothing about the customer's experience of the service.

The customers' experience of the service is usually dire. The 8 week target will mean some customers being refused or being sent away to do something (both of which stop the clock on the target); it is not unusual to find the customers' end-to-end time to be in the hundreds of days. It follows that in getting the service the customer has had to make successive representations, visiting or writing many times. All of this activity represents unnecessary cost. The targets are driving up variation, extending end-to-end times and increasing costs. It is a counter-intuitive thing.

To return to the housing benefits example, it is not unusual to find a service that is achieving all of its BVPIs but its true capability from the customer's point of view is in excess of 150 days. Taking out the causes of variation (measures as well as many others, driven by the DWP's specifications) means authorities can deliver this service in less than a week.

To achieve such a transformation managers first have to learn that their pre-occupation with managing activity is part of the problem. Ministers have promulgated the same thinking through emphasis on IT as central to the change strategy, creating 'economies of scale'. It is to manage service transactions and processes as activities. The primary measure is cost, but managers cannot see that managing with costs drives up costs. The true cost of a service is end-to-end from a customer's point of view. If it takes a series of transactions to get a service, the experience is poor and the cost is high. When services are designed against demand, they improve and the associated costs fall, it is, by comparison, to achieve economies of flow. As the Toyota System

exemplified, and as many public sector adopters have shown, economies of flow are far superior economics.

Doing less of the wrong thing is not doing the right thing

Deming taught us how arbitrary numbers driven down a hierarchy distort the system; they make performance worse, always. It is not a matter of finding the 'right target'; this can only amount to doing the wrong thing righter. The right thing to do is to use measures that help in understanding and improving the work. The White Paper proposes to reduce the number of targets. It is to do less of the wrong thing; it is not doing the right thing.

The right thing would be to remove all targets and to limit the role of only **one** inspector to ask only **one** question of local authority managers:

"What measures are you using to help you ***understand*** and ***improve*** the work?"

Replacing the imposition of arbitrary measures with the requirement for managers to determine for themselves what measures they need for ***understanding*** and ***improving*** their services places the locus of control where it should be – with those who have to change, not with the specifiers and inspectors (which, even if the requirement was right, would generate compliance rather than learning).

Lifting the burden, and removing massive costs

As well as putting the energy for change in the right place, you also remove five types of waste that are a real and massive burden on the public sector:

The costs of people spending time writing specifications. The specifications are, most often, based on opinion, not knowledge and, like targets, drive the wrong activity. As I have indicated, I can provide you with evidence of the specifications being 'wrong' for every service we have studied.

The costs of inspection. Inspecting against specifications is costly as well as inappropriate. It means building protocols and checklists. Asking inspectors to start with only one question means they would have to find evidence to support or otherwise the claims of those being inspected. This would mean studying the work, where all evidence must be found if inspection is to be reliable. Hence we would get greater reliability and validity in the inspection process, a big step forward.

The costs of preparing for inspection. Local authorities spend inordinate sums preparing for inspections. The self-assessment methods also lack validity. This proposal would mean no time being wasted preparing for inspection, for all of the work on understanding and improving should be assumed to be going on as part of the work. There should be no need for additional work.

The costs of the specifications being wrong. Perhaps the highest cost: compliance to specifications actually results in worse performance, poor service at high costs. To repeat, I can provide evidence this for all local authority services for which Vanguard experts (local authority personnel and consultants) have knowledge.

The costs of demoralisation. The most pernicious cost. If your goodness or badness is judged by your compliance with specifications you are bound to become demoralised, especially when the specifications and associated inspections leave you with doubts. People's goodness or badness should be judged by whether they are able to show they are working to understand and improve the work they do. It is to shift from 'extrinsic' motivation (carrot and stick) to intrinsic motivation, a far more powerful source of motivation.

I hope you find food for thought in these ideas, the recommendations would provide the conditions you need to deliver the purposes of your White Paper. In my next paper I shall return to the question of measurement and its role in delivering citizen-centred (and improved) services.

John Seddon