

## The Modernisation Agenda: Public Services in a Dark Age

John Seddon

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Despite continuous efforts to modernize the public sector, Government has only succeeded in demoralizing public sector workers and frustrating those of us they serve. Public sector reform is not working. It is not the fault of public sector workers; they have been obliged to comply with the directives of Government Ministers and their agents. Public sector workers are now leaving their jobs in droves. In the name of modernization Ministers have inflicted a form of management on our public services that is anything but modern. In a few years they have created and exacerbated the kinds of problems this form of management created in the private sector over the last hundred years.

‘Modern management’ - a flawed system

‘Modern management’ began at the turn of the last century with the first mass production system. Henry Ford famously halved the cost of car production and doubled the wages of his work force. His approach to mass production was to separate decision-making from work, it was to ‘command’ and ‘control’ the work and the workers. Naturally his innovation was hailed as a breakthrough and the principles he employed became standard management practice throughout the twentieth century. ‘Command and control’ is now synonymous with ‘modern management’. These ideas are with us today in our most modern organization form - the call centre - and they bring with them the same problems of worker alienation and industrial strife as we once witnessed in manufacturing; for while Henry Ford’s system was a great leap forward it had - and has - profound weaknesses.

The separation of decision-making from work is a form of demarcation that guarantees sub-optimisation. It was Deming who first pointed to the weaknesses when, as long ago as the 1950s he taught a different philosophy when working with Japanese manufacturers. Today we can see the results in the different ways western and Japanese car manufacturers work. The western model is: make large batches of cars, store them in car parks, incentivise people to buy them. The main management control in the factories is the monetary value of production. Managers produce to meet the budgeted requirement. The Japanese model is: take an order, make the car and supply it. The main management control is the flow of production. The object of the Japanese system is to reduce the time between order and delivery; managers produce against demand. The result: lower costs, higher quality and higher worker morale, for the worker is central to the system, not a pawn within it.

The Japanese system - exemplified by Toyota - integrates decision-making with work. Because the focus is on managing work flow, it is vital that those who do the work develop and use measures and controls that manage and improve the way the work works.

Central to command and control management is the idea of targets. Management, separated from work, use measures that are abstracted from work to make decisions and set targets. The cost of an activity, for example, tells you nothing about the flow of work. To act on cost measures can damage flow and cause costs to rise; to act on flow, by contrast, always lessens cost. In our private sector organizations the dysfunctional consequences of budgetary targets

are well known. In long-established organizations the sub-optimisation caused by this way of working is almost invisible for the institution has built structures and methods that on the one hand accommodate the weakness and on the other set out to ameliorate them through controls. In our newer private sector organisations no such systems exist and the consequences are palpable.

#### Targets detract from service delivery

The imposition of targets in the public sector represents a bureaucracy of specifications, monitoring and reporting. We now have a plethora of internal and external structures feeding this; it is all waste. It consumes resources that do nothing to serve the purpose of the enterprises. Worse, it demoralises the people who have to maintain it; it is the most incredible thing and it has been wrought on our public sector organisations by our Government, and in the name of modernization.

The cause of demoralization is not limited to feeding the bureaucracy. When people know they are going to be judged and, moreover, incentivized by the meeting of targets, they use their ingenuity to do whatever it takes to be seen to meet them. This can mean cheating - distorting or misreporting data. Knowing this and believing they have no choice fuels the disaffection of public sector workers. Can you imagine what it does to people: knowing that you have cheated but feeling it was the only thing you could do? When the evidence of cheating becomes apparent, Ministers and their agents repeat their beliefs in the value of targets, claim the number of cheats to be small, blame them and seek to route them out. Ministers and their agents instil fear amongst the demoralized. The architects of the problem fail to appreciate their culpability, the primary cause is systemic; the problems are ubiquitous because they are designed in.

There is little doubt our public sector management needed and needs improving. But what has been done to help them? Targets say nothing about method. The various Government-promulgated initiatives - ISO 9000, The Excellence Model, Investors in People, Charter Mark - all have the same general method: assess yourself against the model and take action to 'close the gaps'. But are any of these models based on knowledge of what works? There is none, which is why these models have not borne fruit in terms of public sector improvement.

Frustrated at the lack of progress, Ministers have brought the locus of control further to the centre. Through legislation, instructions, guidance and incentives they now dictate many aspects of public sector organisation design with disastrous consequences. To take just one example: The drive to improve access to services has meant Government money for call centres. With the establishment of a call centre, part of what was a poor service is moved to a separate location and provided with electronic means to contact those with whom it had once been connected. When you study the telephone calls going in to these call centres, you find the vast majority are what I call 'failure demand' - calls caused by a failure to do something or do something right for a customer. To pick up a call is not the same as solving a problem or provide a service. The costs of providing the service rise as another function is now involved and the communications between what are now called 'front' and 'back' offices exacerbate service delivery. The net result is worse service and higher cost. Yet these organisations achieve compliance with Government's dictats. And in the revised inspection regime, the more you do as you are told the less you get paid attention to - you 'earn' the right to 'light touch' inspection.

Government, obsessed with the command and control philosophy, has dictated the design of many of our services, placed value on using information technology and obliged many organizations to out-source or in other ways pass their work to others. While the evidence mounts that it is not working, Ministers repeat and intensify their efforts, they try to do the wrong thing righter. It would be better if they asked what is the right thing to do.

Improvement comes from within

It could have been and still could be so different. If Government understood the profundity of what had happened in Japanese manufacturing, they might appreciate the value of a radically different set of ideas. Taichi Ohno - the creator of the Toyota Production System taught it is best when assessing an organisation to look 'in', to study the work. It is of little value to assess oneself against others or against a model, or against a target, for the means for improvement lie within. It is question of knowing how to look. The right measures can help people 'see'. When measures are derived from flow rather than an arbitrary source, they help those who do the work - managers and workers alike - question the way the work works. Working on flow provides the means to remove waste. Taichi Ohno showed how designing work by flow rather than function helps those who do it to learn how to remove everything from the work except the value work - the thing you are providing to the customer. These are simple ideas to apply in our public services and they result in fast change, for little is 'made'. Those who work in our public services need help with method not bludgeoning with arbitrary and uninformed edicts.

Rather than illuminating the means for improvement, targets have provided an impenetrable fog over the means for improvement. The fog is held down by a burdensome infrastructure that seeks to serve its own purpose and hence tightens its grip. In the name of modernization Government has created ever-poorer-performing public sector organisations and created within them demoralised and disaffected people. Our public sector organizations live in a dark age. It is time Ministers got out of management.

John Seddon