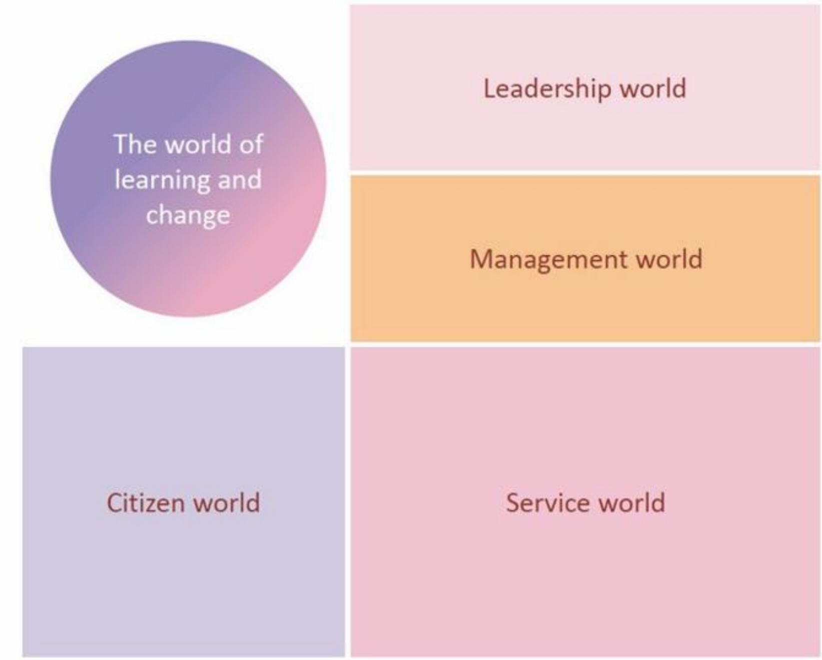
Seven ways to save and improve:
practical transformation in service world

A section from our forthcoming book

Where we are in our ‘five worlds’ map



The seven ways model is centred in service world and focused on the interactions between citizen world and service world, and provides an overview and way in to work across the five worlds from that centre of gravity. The first iteration was generated in the early days of the current period of austerity in UK public services (now well into its second decade). In common with most sectors, the tendency is to look at operational improvement and skip ‘section one’ of ‘lean’ entirely: ‘create flow’ seems odd and complex, whereas ‘reduce waste’ is a lot easier to comprehend. And so we get what’s fondly referred to as ‘salami slicing’, incremental cuts.

This model is an attempt to help people with the ‘efficiencies’ agenda (making cuts with minimal damage to outcomes), and to look and think a bit more broadly.

‘The great big shit-shovelling machine’

I was explaining to a client running a housing repairs service what was happening in his organisation.

Customers could order repairs in two ways. They could call the 'hotline' and wait for a long time for a badly paid, probably new-in-post operative to take their call. Or they could visit their local Housing Office and a housing officer would spend a long time on the computer system or on the phone to housing repairs.

There were six different 'levels' of repair, each of which had a different ‘standard’ resolution time (part of the ‘customer promise’).

There were hundreds of different codes for the different jobs that needed doing.

Naturally, the result of the customer talking to the customer service officer (neither of whom were likely to know enough about repairs to reliably know exactly what needed doing) was that the code was often wrong – at least half the time, in fact.

Once in the system, administrators would parcel out the jobs according to priority to operatives. Now because of the complexities and inaccuracies coming in, and because they were paid according to the schedule of rates (by reference to those hundreds of codes), operatives would try to swing better jobs – and avoid the lower paying ones. There were muttered stories of the provision of tins of biscuits, even Quality Street.

Because of the different promised resolution times, the poor quality information coming in, and lack of feedback to customers, by the time the operative got to the address, the problem had often been fixed after the tenant called again and made it sound more urgent – or the tenant might not have been informed of the appointment and would be out.

When the operative did get to the job, they would usually find it wrongly specified – and if they didn’t, they might choose to re-specify anyway, to increase their pay.

All of this meant a huge amount of additional calls from frustrated tenants tying up the contact centre and housing office staff – at least half the calls they were getting were this type: ‘why did he come round when I was out?’, ‘well, the operative turned up, but they had the wrong parts!’ and so on.

Because the operatives couldn’t be trusted in this system, and anyway even the honest ones had to re-specify most calls, there was a huge amount of inspection.

Because of the different service levels for different priority repairs, there was additional paperwork.

And there were an army of administrators and finance officers chasing their tails because each type of repair meant different pay to the operatives, and different transactions between the housing revenue account and the direct services trading account – and these figures kept changing as each job was re-specified.

All this frantic activity meant that planned repairs had pretty much gone out the back door – but staff I spoke to in the organisation rated themselves as the best in the country at dealing with responsive repairs.

The inspectors had just been in, and commended the organisation on their range of customer contact options, and their comprehensive service standards – but recommended a higher level of inspection to ensure standards were being met.

As I explained all this to the direct services manager, I could see his eyes light up with understanding. ‘So’, he said, ‘what you’re saying is – if we create this shit in the first place, we’ve got to build a great big machine to shovel the shit’.

What seven ways tells us about the situation

Of course, this is a classic example of the ‘five worlds’ in action, or rather in dysfunction. Needs could not be met at the point of contact, and understanding of the actual need was not even reliably captured, never mind passed on effectively.

The big problem is that the organisation had got to this mess precisely by doing a lot of ‘rational’, plausible things to improve performance. They had:

- Introduced a call centre to reduce costs and improve effectiveness of customer contact;
- Paid repair operatives per job, to incentivise them to get more done;
- Set up a 'customer charter' promising different response levels for different levels of urgency of repairs;
- Instituted inspection of repairs to make sure were properly done and not fraudulent done; and
- Set up their repairs outfit to work as a 'trading account’, charging back to the housing organisation to bring in good business disciplines.

They had optimised routes, done process improvement on their processes to pick up ordered parts for repair, their stock management, done capital spend analysis of their housing stock, and much more... and every one of these changes made things worse.

They cut off the real communication between citizen world and service world. Of course, management world was large and run ragged trying to join up all these steps into a coherent system. And at least the finances revealed that it wasn’t working. But they still couldn’t square the customer satisfaction levels they were getting with their understanding of how hard it was to deliver.

I can’t be sure in this case, but in another council we worked with, one of their confusions was the huge discrepancy between their customer satisfaction rating for repairs, based on cards given out by operatives and returned by post, (which was about 97% if I recall correctly), and the huge amount of failure demand, rescheduling, failure to complete and complaints to councillors and the housing department they were receiving. The cause was not hard to identify; operatives were collectively and individually rewarded for their satisfaction score, and were doing the logical thing: handing out cards (sometimes pre-filled, we suspected) only to extremely happy or extremely gullible tenants. Well, wouldn't you? You may deny it now, but, like my friend who sheepishly confessed that, working on his own self-set arbitrary target of 10,000 steps per day, 'well, I do find myself taking much *smaller* steps', you're probably not immune.

Of course, it may just be something like the flagship all-singing, all-dancing customer one-stop-shop I once visited in the north-east. Just as they were explaining their 95% satisfaction rate to us, the clocked ticked around to 4:15pm, and behind our host we could see the doors being unceremoniously slammed in the face of two or three would-be 'clients'. They did not get to hit the happy or frowny faces in reception, so their experience of being locked out from the help they were seeking wasn't even recorded.

And remember that this is a highly transactional service! You can bring in some extra layers of complication by remembering that preventative work is available as well as the 'fix what's broken' responsive model, but with very few exceptions, the problem and solution can be specified in a rational, programmatic way when it comes to fixing a broken window or ballcock.

The answer, of course, is not to deal with the dung... but to sweep away the need for all of this work by focusing on the value flow; finding better ways to connect the actual demand with the people who can actually do the work. One purist solution is to have local 'patch based' repair operatives with their vans ready-stocked with the most-needed parts, and let residents have their mobile numbers. Then an expert speaks to someone, who knows the type of house – much more effective than contact centre operatives forlornly trying to help tenants identify whether their window has a uPVC, metal, or wooden frame over the phone.

That's not without its risks; I know one council that spent its entire annual repairs budget in three months trying that method. But it cuts to the heart of the issue: we need the householder, at home, at the same time as a competent repairer with the right parts.

In this case, we recommended a move back to ward-based repair depot working, to great management resistance because they'd swept all that away five years previously. In the event, the Finance Director found another £250k in a special earmarked reserves pot, the Chief Executive had a brilliant idea in his bath about a corporate reorganisation, so the pressure to change the 'machine' just went away. Leadership world, you see…

Seven ways to save and improve

This approach aims to offer three things:

1) provide a checklist to make sure all bases are covered when looking for opportunities to save and improve – to give some alternatives to knee-jerk cuts;

2) make the point that transformational change starts with demand analysis and creation of flow, *not* waste reduction or improved procurement; and

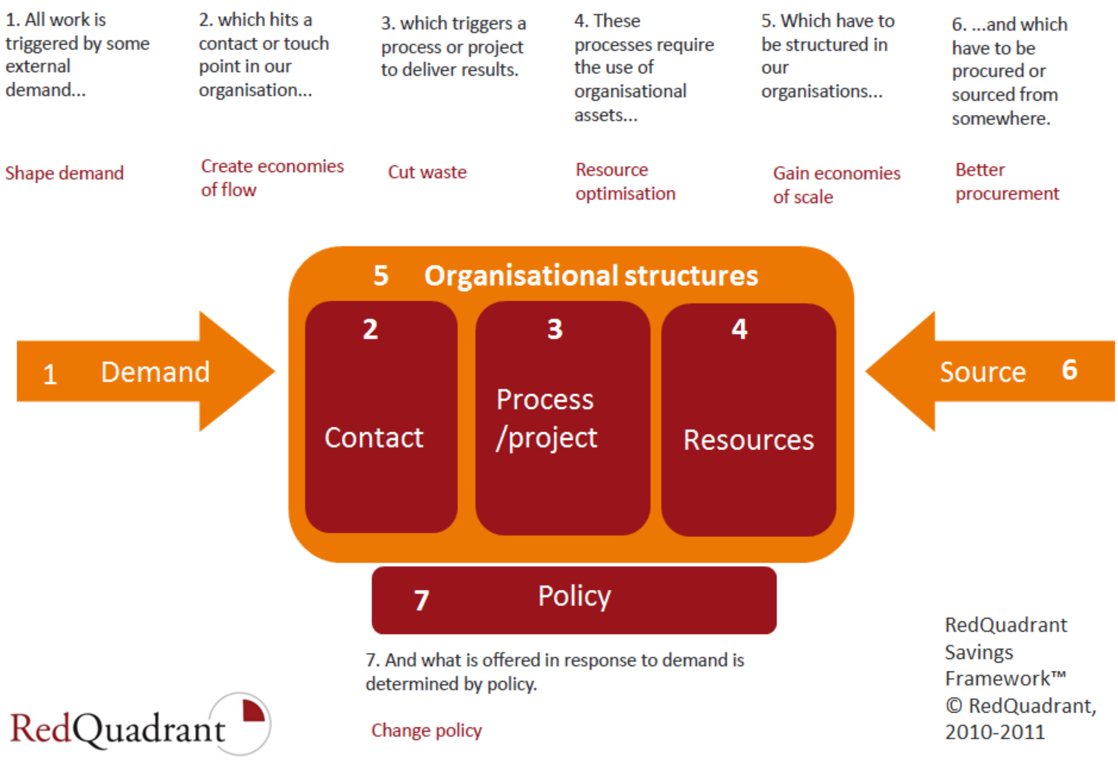
3) conceptualise a simple model of the organisation which is based on sensing, fulfilling, and shaping customer demand (within certain legal and political constraints).

So it's definitely not a complete model, but it is a valuable perspective. The logic of the 'seven ways' flows from this way of understanding. We say that:

1. All activity is (or should be) triggered by demand , need, or purpose – unless there's a job to be done, nothing happens.
2. We don't know about it, though, unless our organisation senses it. Often this means a visit, call, or web form is filled in by somebody, or a 'partner organisation referral', but of course it could be crime detection or road surface inspection.
3. Once a trigger is activated, the delivery of any value requires a process.
4. The process needs to draw on organisation, partner, or community assets to get the job done – and remember that our definition of a service is that it's always co-created with the citizen.
5. The assets used in the process need to be structured in some way (e.g. organisations, partnerships) in order to be made available.
6. And they have to be procured or sourced from somewhere – fixed term contracts, volunteers, consultants, contractors, partner co-provision and so on.
7. The governing factor determining what the organisation sees as valid purpose, need, or demand and how it responds is policy.

It follows neatly that, when looking at service organisations, there are 'only' seven ways to save and improve:

1. Shape and manage demand: effect behavioural change, reduce failure demand.
2. Create economies of flow: match capacity, capability, contact points to demand.
3. Reduce waste: re-engineer processes or develop a lean whole system.
4. Optimise the use of resources: buildings, IT, vehicles, other assets, people (scheduling, downtime, contracts and management), income generation.
5. Effective organisation: appropriate grouping and sharing of activities and services, organisational structures, role and task clarity.
6. Optimise procurement: procure volume, shape the market, reduce or standardise specification or achieve multiplying effects, share services, social value.
7. Change policy: stop, ration, reduce eligibility, delay, charge, develop policy to better meet organisational purpose, demand and underlying need, outsource, mutualise, use the voluntary and social enterprise sectors.



RedQuadrant seven ways to save and improve model: grey text is the logic flow of a demand-centred organisation, dark red text are the opportunities to save and improve.

You might spot that there's a structure to this list. 'Shape and manage demand' and 'create economies of flow' are further 'upstream', more out into 'citizen world'. They also require significantly more co-creation, more emergent and adaptive change, and therefore are more unpredictable, as well as more transformative. If you can change the world so that 50% of the people who would need your service simply don't need it because they can manage on their own, you have savings that flow right through the system. And things like 'resource optimisation', the 'economies of scale' part of 'organisation', and 'better procurement' are further downstream, more within the control of the organisation, more predictable, susceptible to programmatic change.

If you bring in consultants to review all your contracts for duplication, gold-plating, cheaper alternatives, unnecessary change orders, you can probably reliably save a single-digit percentage of those costs. If you optimise the use of resources (say, your vehicle fleet, especially vans), you can get a pretty deliverable saving. But those savings are not transformational, they are limited – and if you do it wrong, they lock in the costs of the current upstream system by making transformation impossible, like the council that outsourced it's front-office call centre and, for seven years, couldn't afford to pay the contractor to change any of it's customer-facing processes.

1. Shape and manage demand: effect behavioural change, reduce failure demand

This means thinking about how the demand arises – the purposes people are trying to achieve in their lives, the contexts or 'worlds' they are in, why these purposes are being thwarted, how that turns into a 'need' for public services, and how that turns into an actual 'demand' – a request for help. A warning: this can, of course, be done horribly badly: one way to 'shape demand' is to hide from it; make it impossible for citizens to contact you to tell you their needs. As we shall see time and time again, there's no principle so powerful that it can't be distorted by approaching it with the wrong intent.

2. Create economies of flow: match capacity and contact points to demand

This is a bit of jargon originating (as far as I know) from *Principles of Mass and Flow Production* by Frank G Woollard (1954). What it means in this context is to have the right capability and capacity at just the right place that when the citizen tells you what they need, you can do it, straight away. To those of us brought up on queuing, appointments, delays, waiting lists and the like, this might seem mind-bogglingly impossible. It is certainly not simple, but it is an elegant and effective (and therefore efficient) approach.

I remember saving the tokens from my packets of Shreddies breakfast cereal as a child and sending them off for the free gift; they always said 'allow 28 days for delivery'. And this always bothered me. Say it takes a week in total for the post to go in each direction – why couldn't they just make an extra effort to catch up that extra three weeks? And then in a steady state, they'd always be able to turn around my plastic toy immediately! Part of the reason we can't just do that is that the very systems we have in place to 'deal with demand' (waiting, contact centres, web forms and all) prevent us from being able to see clearly the underlying signals of demand, and see that actually it is often far more predictable, far smoother, and far lower than the 'noisy' signals filtered through our organisational worlds.

For me, shaping and analysing demand and creating economies of flow are the most appropriate starting points, as the most truly transformational, despite the complexity and unpredictability. Operational reviews might undertake basic analysis of value and failure demand, but not understand real customer needs, as their data is already corrupted by being forced into transactional categories, and massaged for performance reporting. We seek to bridge the gap between 'customer world', 'service world' and 'manager world' with some simple analysis which looks not only at demand and failure, but also at restorative and innovation demand – more on this in the next Section.

There are two useful principles concealed within these two points. First, if you build a system responsive to demand, you had better be sure that you can respond when that demand changes. We've seen many 'lean processes' that operate brilliantly for a time, but, when demand changes, the capacity no longer matches and chaos (including reversion to old procedures like batching, triaging and rationing) ensues.

Second, customer demand in the public sector will come at you whether you like it or not – through the channels and in the ways and for the things that the public actually want. It's useful to think of this natural desire to meet their purposes - as being like water: you have to expect that it will flow following natural routes. Once you are capable of understanding what demand is, you can ignore it (but know the consequences), shape it to better meet your needs – or, put the capacity to deal with demand at the actual point of customer contact. So, either way – take decisive action to change the demand, or deal with it as it is – face up to reality.

3. Reduce waste: re-engineer processes or develop a whole lean system

This is more familiar, and in looking through the 'seven ways' list, it is often the one on which people alight with relief. 'We know this one! Cuts and process change'. I expect that most readers are familiar with the idea of reducing process steps, cutting out waste, and improving flow through the process. This can go one of two ways. The risk is that so-called process 'improvements' are done 'in a box', optimising the process at the cost of making the wider work of which it is a part worse. Really good process people consider the whole context of the process and try to change the work they are looking at in such a way that the work done before and after gets better.

But process change can be effectively addressed with a set of tools, without having to really think things through. Most of this is to the good, especially if done well – do you really need levels of sign-off? Can a single hefty form adequately cater for all procurement, from the purchase of postage notes to a new IT suite? But it brings significant risk.

4. Optimise the use of resources: buildings, IT, vehicles, other assets, people (scheduling, downtime, contracts and management), income generation

This one also seems like common sense. If you have two teams of three people, each with a manager, and you merge them, you probably don't still need two managers. If you can reduce the 'downtime' of contact centre operatives or social workers, each person's working week gets more done. If you can merge five different departmental finance systems into one effective system… well, you get the idea. This is not meaningless – economies of scale do exist. Buildings, people, IT and 'sweating' organisational assets in general can bring results.

My favourite example is a council we worked with which had many different fleets of vans, variously: to deliver the internal post between sites, to take children with special needs to schools, older folks and those with learning disabilities to daycare and the like, deliver 'meals on wheels', shuttle books between different libraries, carry out maintenance, for the parks service, housing repairs, highways, waste services, street scene enforcement work, and a few more. With diligent work, significant savings were made by procuring and managing all those vans under a single contract, and most interestingly by running a schedule, so the same van could do some of the above: schools, daycare, meals on wheels, internal post, and libraries. But when we came in to undertake other efficiency reviews for them, it was found that these savings had locked in a seven-year contract with a courier firm, which meant that many improvement in related services just couldn't release 'cashable' savings, or only a small proportion of their potential, because the vans kept running anyway.

So, in many ways, resource optimisation is an even easier target, but without prior demand analysis, work economies of flow, and reduction of process waste, resources are optimised to service systems full of waste. The effects are two-fold: first, they lock in the waste at the transformational levels above by building structures that are not fit for economies of flow. Second, they can generate additional cost by forcing optimisation at the cost of inefficiency elsewhere. (My favourite example is one outer London borough council, where the lifts are 100% utilised most of the time – but it can take twenty minutes each way just to get out for lunch from the higher floors).

Nevertheless, because you are freeing up real concrete resources, done right, this step generates significant cashable savings. For example, mobile and flexible working allows organisations to identify their staff's working patterns and tailor provision around them, implementing desk-sharing and working from home to free up the need for leased buildings. We delivered such a programme that saved a London borough £2.4m annually in a way that respected the effective work styles of individuals, and didn't prevent future improvements in process, flow, and demand management.

5. Effective organisation: appropriate grouping and sharing of activities and services, organisational structures, role and task clarity

Next, we come to economies of organisation, addressing the fact that unit costs reduce as the size of an organisation and the usage level of inputs increase. This is particularly useful to local authorities considering shared services such as HR or Revenues and Benefits as part of their savings strategy, but, as our model demonstrates, this stage should only come after the previous areas have been thoroughly developed, as economies of scale often run directly counter to economies of flow, and so these savings and improvements should only be sought with caution.

6. Optimise procurement: procure volume, shape the market, reduce or standardise specification or achieve multiplying effects

Sixth is the optimisation of procurement, which involves creative and flexible thinking. This can include any or all of the following: procure volume, shape the market, reduce or standardise specification, share services, outsource, use the third sector, or multiplying effects. The Libraries Consortium, for example, provides a shared Library Management IT system for an ever-growing number of councils, with customer benefits including online access and access to stock, and significant financial savings.

7. Change policy: stop, ration, reduce eligibility, delay, charge, develop to better meet organisational purpose, demand and underlying need, share services, outsource, mutualise, use the voluntary and community sectors

Last on our list is the changing of policy, which wraps around the previous six recommendations as an enabler to future improvements. The policy might change a system by stopping, rationing, reducing eligibility, delaying, or charging for a service, all of which could deliver significant improvements to the organisation. The councils with whom we work are political organisations and may change policy to determine which demand they respond to, thus ensuring a streamlining of the service they offer.

Make **effectiveness** the primary focus

So, approaches which start with economies of scale, resource optimisation or waste reduction (often process improvement) can be delivered through more 'technical' change and, while these approaches realise real savings, they risk building 'waste' demand and activity into the system.

Of course, it should **all** be about effectiveness:

1. find ways to shape the environment to get the true value work coming to you
2. build your organisation to put the capacity and capability to do this work at the point of contact, at the time of contact
3. optimise processes to focus on the value add steps
4. optimise resources for the same reason
5. create an effective organisation structure and architecture (rather a big one, this!)
6. buy things in a way which enables the value focus
7. decide the work you do in a way that focuses on value

This work highlights why 'Quality Improvement' can be dangerous. It's very popular in the NHS in particular. And very effective in context. I would say that the best quality improvement people, even if they start on 'improve processes', will always be looking upstream and downstream. They know the risk – it's a powerful weapon if you aim it right; if you know the problem, and it's a process problem. But, as Drucker famously said, 'There is surely nothing quite so useless as doing with great efficiency what should not be done at all.'[1] You have to look at the frame the #process fits inside – is the process meaningful? We shall look later at Ackoff's concept of 'dissolving' the problem by redesigning the context.

Making problems worse and making new problems

We did a series of rapid prototyping events around homelessness and housing allocations and verification in a London borough. In that process, we discovered that failure demand was over 80%, that waste activity was over 80% (not surprising perhaps given that the computers took 30 minutes to boot up), that a split in a team causing multiple handoffs and costing £800k in temporary accommodation charges due to delays had been occasioned by the need to promote someone and give them someone to manage, and that delays in homelessness processing meant some people who were not eligible at the start of the process, because they hadn't spent six months in the borough, became eligible by the time they were assessed. Perhaps most importantly, that the process of getting people in need into vacant houses was not retaining any of the most critical information about new tenants – their needs and issues. So this wildly ineffective set of teams were really just storing up

[1] *Managing for Business Effectiveness*, Drucker, *Harvard Business Review* (May 1963)

future problems as tenants didn't get the support they needed, didn't pay rent, and could even be evicted to start the cycle again.

The cherry on the cake was that they had a housing waiting list of 11,000 people, and every year were able to house about 700 people in 'standard' accommodation (not reserved for people with particularly high level of needs). One bright team in 'digital' were trying to smooth the flow of the process by setting up an online housing needs form. When they did, they received another 10,000 applicants in six months.

It wasn't the fault of any of the people or managers we worked with. Apart from working in atrocious physical conditions that I felt would be likely to generate mental health problems, and with inadequate IT, the deeper causes of these problems were the structures and hand-offs imposed from much higher levels of management.

This is a classic case of misdirected 'quality improvement'. We were able to highlight issues to be acted on and generate real understanding of what was happening at the front line, but the kind of organisational change that was needed had to be taken with different

‘Later in the bar’ question – The Eighth Way

Over the years, many have suggested ‘eighth ways’ to save and improve: automation, innovation, income generation or other commercial activity. You may well want to add your own, and that’s welcome. I’m happy that this stands as an incomplete but useful model, fit for certain contexts, and connected to the other thinking which I am sharing here.

Retrospective and action inquiry

If you work in public services, have a think about the pattern of interventions that you have seen, or made, in your service or organisation – and the possibilities for new opportunities. Have savings mostly been made ‘upstream’ or ‘downstream’? Are there old ways of doing things ‘locked in’ because of downstream services?

General retrospective questions

1. What seems to be the most useful thing to you about the seven ways?
2. What would you change if you could?
3. Did this model unlock any insights for you?
4. Is there anything you can change based on the ‘seven ways’ in terms of:
   - your actions,
   - the way you frame your work, or
   - does it touch on your identity, your concept of yourself?
5. What will you do as a result? What do you expect to happen? How are you prepared for the expected response?

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