

management, probation for 'low risk' offenders, electronic tagging of offenders and the 'work programme' — helping people back into work. Much of this was done on the basis of 'payment by results'.

The Efficiency and Reform Group also pushed harder for shared services, echoing previous administrations' arguments for economies of scale. Central government departments were at first encouraged, then obliged, to share services and local authorities were subjected to a sustained campaign of promotion of its benefits.

Health did not escape attention. The coalition strengthened the emphasis on financial discipline for hospital and other trusts. It also extended the scope for private sector involvement by requiring services to be put out to tender to "any willing provider" and through commissioning, where the intention is to favour large-scale providers who will drive down costs.

### *A political consensus*

Over the past 35 years there has been no real deviation in the approach to public sector reform. Whether it is via an Efficiency Unit, an Office of Public Service Standards, a Delivery Unit or an Efficiency and Reform Group, the role of the centre has been to promulgate what it thinks as worthy and pressurise the public sector to comply with its directives.

All governments have employed the idea of 'reviewing' performance, whether through meetings led by ministers or through inspection and regulation. All have believed in the supremacy of private-sector know-how and all have accepted without question the power of competition and choice. All have been wedded to the pursuit of economies of scale and IT as a means of achieving them.

If there are differences they are matters of emphasis, not philosophy — Conservative administrations, for example, placing more emphasis on outsourcing, Labour governments relying more on an apparatus of targets, specifications and inspection.

I invite you to consider this history against the numbers. The primary purpose of reform has been and still is the reduction in costs, yet costs have risen inexorably. The astute reader will be thinking that correlation is not necessarily cause and effect: quite so. So we have to look in some detail at what the reforms have meant in practice to understand how they have driven costs up.

## Part 1: The industrialisation of public services

### Introduction

Over the last 35 years public services have been industrialised. The underlying assumption is that bigger is better; that is, consolidating work in large centres — service factories — will yield economies of scale, i.e. lower operating costs. This is a view that has been advocated by the big consultancies and IT firms — indeed, without IT, service industrialisation would not have been possible. Private-sector organisations that followed this path have, in recent times, pulled back from the pursuit of scale as industrialisation. With the benefit of the rudder of profit, they are learning that scale in this form drives costs up and worsens service. The public sector has no rudder of profit; instead, if it has a rudder, it is a rudder of compliance.

To understand how industrialisation increases costs and worsens service we have to look at its components: call centres, back offices, shared services, outsourcing and IT systems.

## Chapter 2: Call centres

### Local authority call centres

I was with David Parsons in late 2010, when he was the leader of Leicestershire County Council, meeting because he held the portfolio for performance improvement on behalf of the Local Government Association. We were in his office in the council buildings. I said I was sure his council would have complied with the government target to have a call centre by 2005. He concurred. I said I bet that when it opened, it experienced more calls than had been estimated in the plan. His response was, "How did you know?"

I first saw the phenomenon in the mid-1980s when the advent of automated call distribution systems enabled the creation of call centres. In the pursuit of lower costs, private-sector companies moved telephone calls out of local branches and consolidated them in large offices in low-wage parts of the country (consultancies were making money out of maps of the UK annotated with local wage-rates). While staff costs (pay) did fall, the cost of services did not.

It was a simple error, the same trap that local authorities fell into 20 years later: treating 'telephone work' as something that could be abstracted from a service operation and processed in a stand-alone unit. As in Leicestershire, the immediate consequence is an increase in the volume of calls, because customers aren't getting what they need and have to call again to follow up. I labelled it 'failure demand' — *demand caused by a failure to do something or do something right for a customer*<sup>1</sup>. You might be surprised to learn that failure demand can account for as much as 80% of all demand into public services.

Note that I am not arguing against providing services over the telephone. My point is that the focus should be the design of the service — constraining the design by imposing a means of delivery is starting from the wrong end. Starting from design, you learn that some services can be provided by phone and some can't.

I explained the flaws in the rush to build local-authority call centres — learned with private-sector clients — to Howard Flight, then an opposition MP, early in 2005. Via parliamentary questions, Flight asked Phil Hope, the then (Labour) Junior Minister in the Office of the Deputy Prime Minister, for details of government directives to councils to build call centres, how much government money was being invested in them, and their cost-effectiveness<sup>2</sup>. Hope replied that there were no specific investments, no appraisals of cost-effectiveness and no directives. It was a politician's response, for there were, by his own admission, 'supplementary funds' provided by government and very clear directives for all local authorities to produce plans, route maps and milestones for achieving the 'ESD target' (see page 18), which included call centres.

The only unequivocal truth in Hope's answer was that there was no evaluation. Instead he asserted that local authorities recognised the contribution call centres make to effective service delivery. It's a politician's logic: we think this is a good idea, we oblige you to do it, if asked about its efficacy we can say you think it's a good idea and we judge the efficacy of the policy by the amount of compliance.

Towards the end of Labour's period in office Whitehall put out an even stronger call-centre directive to local authorities. A joint venture between the Treasury and the Local Government Association called 'Local Partnerships' developed an intervention dubbed DECATS (Delivering Efficiency, Capability and Transformational Services), provided by one of the big consultancies. Part funded by central government, DECATS included the idea that all telephone contact made by service departments would be more efficiently handled if moved to a call centre<sup>3</sup>.

Taking telephone work out of a service and placing it in a call centre was done in the erroneous belief that it would reduce costs — in fact it just increased failure demand. The same premise is behind moving complete services to the phone.

## NHS Direct

Labour secretary of state for health Frank Dobson kicked off NHS Direct in 1998 with a number of 'pilot schemes'. The idea was to staff telephone lines with trained nurses to whom those in need could have access at any time of day. Dobson argued that a telephone service would not only be "effective and popular", it would also reduce demand into other NHS services<sup>4</sup>.

By January 1999 NHS Direct had received one-and-a-half million calls and was hailed a success. As time went on demand continued to rise. For example in the eighteen month period leading up to November 2001 call volumes to West Midlands NHS Direct rose from 16,000 a month to 30,000<sup>5</sup>.

This was déjà vu. In the 1980s, private-sector managers had pointed to higher-than-expected call volumes as proof of the popularity of their service. Actually it should have been seen as a warning of the reverse. In just the same way, NHS Direct leaders ignored the signal of potential failure demand, boasting instead of the volume of calls handled and the speed at which they were answered.

It didn't take long for NHS Direct to earn the sobriquet 'NHS Redirect', reflecting anecdotal stories of the number of callers being referred on to Accident and Emergency departments, pharmacists and GP surgeries. What was never, and still isn't, understood is how the service works from the citizen's point of view — how often, for example, callers' problems are solved at first pass and how many calls are passed on to further transactions. If high volumes of calls to NHS Direct are merely additional transactions, overall costs can only be rising, not falling. We know from our own work in health services that failure demand is very high<sup>6</sup>.

The only research we could find showed that NHS Direct did nothing to reduce demand on A&E services<sup>7</sup> and *may have* restrained increasing demand on out-of-hours GP services. The fall in the rate of growth when compared to growth in the volumes of calls, however, was trivial.

Such as it is, other evidence is mixed, to say the least. While the regulator reported that NHS Direct was "doing a good job"<sup>8</sup>, the consumer magazine *Which?* published a report showing nurses failing to diagnose critical illness<sup>9</sup>. By its own account ('official' figures), two thirds of callers were referred on inappropriately<sup>10</sup>.

By 2008 NHS Direct was costing £139m and more than £25 per call — as much as the cost of visiting a GP<sup>11</sup>. Calls for a proper evaluation of the service went unheeded<sup>12</sup>. Instead in 2010 Andrew Lansley, health secretary in the coalition government, took up the previous Labour government's plan to introduce a new number (111) that would be staffed by unqualified personnel following computer scripts. The aim was to bear down on costs: contracts — open to private-sector providers and NHS Direct — were let at a cost of £7 per call with specified 'service levels' (time to pick up the phone).

It is hardly surprising that the new 111 service providers were soon plagued by low staff morale and high turnover<sup>13</sup>. Imagine having someone on the other end of the phone whom you are obliged to take through time-consuming record-making procedures while they want to talk about their problem; and then you having to follow scripts that mean you will ask stupid questions instead of actually listening to what they have to say. As one user said, it seems as if the questions are designed to be delaying tactics<sup>14</sup>. 111 staff described themselves as in a state of panic, trying to get help for people who clearly need it.

Private-sector contractors and regional NHS Direct organisations pulled out of their contracts (some before even starting) as the contracts they were working to would be 'unsustainable' — i.e. not economically viable<sup>15</sup>. Other contractors drove their costs down by sacking managers ('changing the management structure'). Today the problems remain; the anecdotal evidence of failure mounts, callers are put at risk, even die, while ambulances are dispatched on unnecessary journeys<sup>16</sup>, and we have no idea if the service achieves its purposes.

## Police call centres

As Home Secretary in the Blair era, David Blunkett presided over the continued regionalisation of call centres in policing<sup>17</sup>. He was confident they would meet the public desire for sharp improvements in police customer service by improving access and providing callers with better information on what will happen next in their case. He also believed that centralised call-handling would lower costs. In common with other examples, no before and after comparison costs are known, however. They were never part of the plan, perhaps because no one questioned the idea that doing it this way must be cheaper. But costs can only have risen.

We have had the opportunity to study what happens in police call centres built in the Blunkett era. They correspond to a 'take-one, label it, ship it' design: every call has to be recorded and shipped on electronically to one of a multitude of police departments (each with its own specialist function) sitting behind the call centre. Many electronic records are wrongly routed, many trivial requests that could have been answered speedily take off on a labyrinthine journey; many seriously important calls get swamped as they wait in undifferentiated queues of 'work'.

In most police forces there is no awareness of these problems. Call-centre managers simply report on call volumes and service levels (how quickly they pick up the phone). The incidence, or indeed existence, of failure demand (which, as with local authorities, runs as high as 80%) is largely unknown. Yet reflecting the exact opposite of Blunkett's aspiration, failure demand is a direct measure of citizens' experience of calling the police. Blunkett thought the call centres would mean citizens would be told what would happen next. What did predictably happen next was citizens became frustrated as their issue got buried in an electronic jungle.

The extent of the damage done to police performance by accumulating failure demand is revealed when forces design a telephone service that works (see Chapter 12). The result is a dramatic liberation of capacity that was previously consumed by adherence to an apparently plausible but fundamentally wrong-headed idea.

### Housing repairs

When it took on responsibility for auditing housing services, the Audit Commission encouraged the use of call centres as 'best practice'<sup>18</sup>. In the repairs services this meant, in short, someone who knew nothing about plumbing (the tenant) talking to someone else who knew nothing about plumbing (the call centre worker) who would choose from the Schedule of Rates (a book listing jobs and materials to be used) a job code that would determine what the plumber should do. To put it mildly, this is unlikely to be a recipe for getting it right first time. In housing services that complied with the Audit Commission's directive the level of failure demand was typically 40% or more. I will return to housing repairs.

### A focus on cost

All of the problems above have, at their heart, a focus on cost. It is a paradox that will be repeated as we proceed: if you focus on cost, your costs rise.

In the drive to build call centres there have been two fundamental errors:

*Assuming that telephone work is something that can be optimised in isolation from the service as a whole*

*Failing to study and understand the effectiveness of services provided over the phone.*

The advocates of call centres assume that transaction costs are the same as the costs of providing a service. The costs of a service are end-to-end, which will include the total number of times people have to call to get the service they need.

Go and have a look.

If you're able to, go to any call centre. Put on a headset and listen to calls. Explain to the call handler you are there to understand more about why customers/citizens call. For each call ask yourself: from the caller's point of view was this call value demand (the reason the service exists) or is it the result of something we have failed to do or not done right at a previous contact?

Failure demand is a major consumer of capacity. It is, by definition, a sign of poor quality and high cost.

## Chapter 3: Back Offices

When I began working in organisations in the 1970s no one used the phrase 'back office'. Such a thing did not exist. Today the back office is an unchallenged feature of organisational life, its claim to represent good practice and low cost in service delivery being taken for granted. The concept fits both the current philosophy of management and the political narrative.

One of the first pieces of work Vanguard did with local authorities was in housing benefits. In 2004 Mark Radford, the manager responsible for housing benefits at Kent's Swale Borough Council, called me to say he had read *Freedom from Command and Control*<sup>1</sup> and felt as though the book had been written about his own organisation. Radford's benefits service had been vilified in the local press for being the worst in the country. He had recently complied with the Department of Work and Pensions' (DWP) directive to create a back office and subsequently experienced sharp growth in the volume of work. Correctly, he understood the increase as a warning and decided to take action.

I went to visit. The DWP 'help team' had advised him to hire a private-sector 'backlog-busting' firm to help reduce the backlog. He knew it was the wrong thing to do. I learned subsequently that all housing benefits services had been obliged to follow the DWP directive with the same consequences — backlogs in the new back offices. The backlogs had created a market for private-sector backlog-busters.

The DWP initiative had been funded from Gordon Brown's 'invest to save' scheme. A total of £200m had been made available to encourage local authorities to reconfigure their housing benefits offices as separate front and back offices, tied together with IT systems to pass work to and fro. Unfortunately, such a design for housing benefits or,

for that matter, any other service, can only lead to poor service and higher costs.

Like many bad management fads, the 'back office' idea originated in the US. When I teach students I impress on them the need to ask four questions every time a lecturer introduces an idea or management tool: who invented it? What problem was he or she trying to solve? Do I have that problem? And how do I know? You might be surprised to know that many lecturers, particularly those who teach 'improvement' tools like 'lean', can't answer the first two questions; some can't answer the last two, either.

So who invented the back office? Step forward Richard Chase, an American academic, who wrote an article for the *Harvard Business Review* in 1978<sup>2</sup> in which he argued that managers of service organisations needed to be more technocratic in their thinking.

Service managers are trained to worry about three things: how much work comes in, how many employees they have and how long the latter take to do the work (I call this the 'core paradigm' for service management and will summarise its flaws later — see Chapter 15). It follows that managers will focus their primary attention on optimising the use of their human resource, i.e. sweating the labour. This is why service centre workers are so heavily monitored.

Chase pointed out that in service organisations, the employees are frequently 'interrupted' in their tasks by customer visits or calls (wretched people!) that effectively prevent them from working at full efficiency. To solve this perceived problem, Chase proposed that a 'front office' should be employed to gather information on what customers want which could then be sent to a 'back office' where labour could now be optimised — sweated — without tiresome interference. He described this as "de-coupling the service from the customer".

These new administration factories, he postulated, should employ the concepts and language of manufacturing: batch scheduling, inventory control, work measurement and simplification. To facilitate work measurement, processes should be standardised and specialised. The argument was, and is, that this arrangement will lead to economies of scale and reduced transaction costs.

Here's how such a set-up operates in the private sector (in housing benefits it is, if anything, simpler). Front-office staff talk to the customer, as a result of which an electronic record is created which

is passed to the back office, in practice often split into a number of separate functions, for each to carry out its own specialised task to meet the demand. The back-office functions work to service-level agreements (how quickly they will complete tasks), standard times (adherence to the expected time it takes to do a task) and targets for performance (amount of activity). Managers assume that the work will arrive in the right places, the workers receiving it will have the right expertise and will do the work in the standard times, and will return it within the terms of the service-level agreement. That is to say, managers think that if people just did as they should according to this logic the organisation would deliver at optimum efficiency. Pleasant dreams<sup>3</sup>.

To shake managers from their pleasant dream, we get them to follow a customer request all the way through their system and focus on a single question: when the response was delivered, was it 'clean' (i.e. complete, not requiring the customer to call again or otherwise follow up)? It is invariably the case that the first request fails the test. Equally invariably managers rationalise the failure as an exception, because to accept it as generally true would undermine everything they have focused on as managers. So we invite them to follow another, and another...

In a very short time, what they discover is that very little goes out clean. The front-office / back-office design is a primary cause of failure demand. That's what Radford and his team learned in Swale. They found that failure demand was running at a high rate and that people claiming benefits had to present a number of times before they could get their benefit sorted; which, in turn, filled the back office with more 'tasks' for the same person.

Back offices commit the error of assuming that front- and back-office employees will have the same view of the customer. In the front office they deal with flesh-and-blood customers, in the back office what matters is adherence to rules. Two views, the difference between which can only serve to create failure demand — while back-office designs assume that rules and standardisation of work will lead to efficiency, people presenting to the front office obstinately refuse to come in standard sizes. Service demand is inherently varied — 'customers' are not all the same.

As Radford and his housing benefits team were the first to learn, the context within which people make claims for benefits — what's

going on in their lives — far from being irrelevant is vitally important for developing a service that works, that is, that solves their problem and stops them coming back repeatedly. So the Swale team abandoned the back office and replaced it with a face-to-face service, following the steps I shall outline in Part 2. Like others who followed them they achieved profound results: it took them from being one of the worst in the country to one of the best, in a matter of months.

Back offices serve to ensure that context is not taken into account; standardising processes ensures that they are insensitive to customer needs. 'De-coupling' a customer from a service is a sure way to stop the service working. It is the last thing a service manager would want to do.

Chase's proposition is based on the same mistaken assumption as call centres: that transaction costs are identical to the cost of service. The reality is that while transaction costs may fall, the total cost of service rises. We go back to our mantra: if we manage by focusing on cost, we drive costs up.

We should abandon the idea of front and back offices; they have no contribution to make to effective service design.

Go and have a look.

If you can, go to where work arrives in any back office.  
Follow the steps I outlined above to shake the pleasant dream.

I have described the problems present in any back-office design. These days the term 'back office' is often used to describe the centralisation and sharing of support functions such as HR, finance, legal and administration. In these examples, creating a back office means moving common departments to a central service. While their designs exhibit the same problematic as Chase's notion of the back office, their purpose is not only to sweat the labour, it is to achieve wider economic benefit from 'economies of scale'. We shall go there next.

## Chapter 4: Shared services – Are there economies of scale?

In September 2010 I shared a platform at a Conservative party conference fringe event with Bob Neill, then a minister at the Department for Communities and Local Government. We were discussing sharing services. Neill said that if, for example, there were six fire and rescue services in an area and they all had back offices doing things like personnel and finance, then it was 'obvious' that sharing these services would lead to lower costs. I asked how this would lead to less work being done. He didn't answer.

Perhaps it was an unfair question, for I knew that Neill would be thinking about the savings made by having fewer managers, fewer buildings and, more speculatively, only one IT system. These are 'less-of-a-common-resource' savings, which are real and unequivocal, if not always easy to realise. While it isn't too difficult to sack managers there is usually a one-off cost in redundancy payments — you might also wonder why, if services can run with fewer managers, that knowledge hasn't been acted on already. Building savings can only be realised if the premises surplus to requirements are sold or the costs of maintaining them passed to another organisation. Existing IT contracts often have to be unwound, at not insignificant cost. Sometimes the claimed IT savings are based on the fact that (say) six IT systems have been replaced by buying one new one. This is like claiming you made savings at the sales when actually you spent money.

But these less-of-a-common-resource savings are never the big numbers in business cases for sharing services. The big savings always

relate to lower transaction costs. The notion is that the greater the volume of work being put through the system, the lower the transaction costs. This may be true as far as it goes, but it is irrelevant, another example of the 'sales' fallacy: doing something cheaply isn't a saving if it shouldn't need to be done in the first place, and it is even worse — a monstrous perpetual motion machine — if doing it creates yet more work to be done. We need to face up to it: economy of scale is a myth! I knew something Neill didn't: that creating a back office (whether sharing it or not) will increase the work to be done, not lessen it.

We have seen how a focus on transaction costs drives costs up in call centres and back offices; by sharing services we simply ratchet up the problem by taking it to a higher level. That is the Achilles heel of shared services, and it is insidious.

Here's how a shared-service project usually plays out. The business plan promises modest less-of-a-common-resource savings and large transaction-cost savings. It includes a large investment in new IT systems and 'transformation' activities. Set-up costs are put against the long-term savings, so major savings are only scheduled to accrue in the later stages of the plan. In the short term the less-of-a-common-resource savings are duly realised, building confidence that the venture is on plan. IT problems are frequent, sometimes resulting in complete project failure (see Chapter 6). But even if those are overcome, over time costs begin to rise. Hapless public-sector leaders charged with delivering the plan remain persuaded by their consultancy 'partners' that things will get better (after all they share a common faith in the eventual achievement of economies of scale) and they put a positive spin on things. When the chickens come home to roost and realisation finally dawns that there are no long-term savings to be had, there is one final shock in store: getting out of the venture, particularly if it is a 'partnership' with a private-sector provider, will cost millions more. Sometimes the exit costs are so high that the only option is to stay with what is now a costly and poor-quality service.

It is not as though we are short of evidence on the failures of sharing services. In 2012 the National Audit Office published a review of shared-service initiatives in five government departments or agencies, viz the Department for Environment, Food and Rural Affairs, the Department for Transport (DfT), DWP, the Ministry of Justice, and Research Councils

UK<sup>3</sup>. The business plans estimated a total implementation cost of £900m for the five ventures, to deliver joint savings of £159m by the end of 2010-11. In the event, by 2012 the cost had risen to £1.4bn, and not one made a saving. One venture was reported to have broken even, while the two others that bothered to track benefits reported the reverse, losses of £255m. Note that not all ventures tracked results. And when they did, they measured them against the plan, not the cost of services before they were shared.

The failure to establish base-line service costs, and thus a yardstick against which results could be judged, is a measure of unquestioning official faith that economies will follow from the venture. Sir Peter Gershon had assured both Labour and Coalition ministers that there was massive scope for improvement through sharing services<sup>3</sup>. Their confidence was bolstered by the finding of his report that similar projects had produced important savings in both the private and public sectors. In fact, Gershon's private-sector evidence was taken from an earlier study by Martin Read<sup>4</sup>, whose sources in turn were the big consultancies which, to say the least, are hardly disinterested observers in the matter of shared services. Gershon's public-sector cases included the DfT venture which was subsequently described by the Public Accounts Committee as displaying "stupendous incompetence", with costs rising from £55m to £121m, in the process wiping out any savings<sup>5</sup>, and Southwest One, which was later to fail spectacularly (see below).

Working primarily in the private sector, I am familiar with many examples of comprehensive shared-service failure, but not surprisingly they are rarely acknowledged in public. They fall over for the reasons discussed here: poorly designed and implemented IT projects and high levels of failure demand caused by industrial designs.

## UK Research Councils

One of the cases reported on by the NAO was the shared-services venture for the seven UK Research Councils. In January 2006 the responsible Department (the then Department of Trade and Industry) instructed the councils to centralise and share back-office functions comprising HR services, IT support, invoice processing, expense claims and the administration of grants, with 'full harmonisation' to be

achieved by 2009. The plan was to realise efficiency savings within the next spending period (2008-09 to 2010-11), with total savings for the first 10 years of operation forecast to hit £395 million.

Problems started early on as efficiency-savings targets were missed<sup>6</sup>. In 2010, David Delpy, chief executive of the new operation, remained confident that over the period the planned savings would be achieved<sup>7</sup>. But others were having doubts. Writing in the Science and Technology Facilities Council's annual report for 2011-12, chief executive John Womersley reported that service levels at the centre were "significantly below expected standards"<sup>8</sup>. Other research councils highlighted continuing problems with payments and risks with IT application security<sup>9</sup>. It cost £13m to terminate a contract with the IT supplier involved, and in 2012 the NAO report said the venture was showing a net cost of £126m.

Meanwhile, users were reduced to blogging — their only outlet — complaints that grant administration had slowed to a crawl and the quality of service was at best patchy<sup>10</sup>. The complaints were typical of people's frustration with trying to get services from industrialised designs, which are built to deliver the packages the producer has decided on, not to respond positively to customer need. Users do, however, report being 'discouraged' from talking negatively about their experiences of the new regime.

## Account NI

Account NI is a shared-service centre set up to process financial transactions for Northern Ireland's government departments. It originated in 2000 when a review estimated that a scheme could be operational by 2003 at a cost of £63m. As the project developed, timescales and costs rose. By 2006 the delivery date had slipped to 2009 while the cost had mounted to £169m. In 2011 the total project cost was declared to be £187m. The National Audit Office for Northern Ireland identified a further £26m in costs that should have been included, taking the total cost to £213m<sup>11</sup>.

In 2014 the Northern Ireland Assembly Public Accounts Committee described the cost of paying invoices through the shared service as 'extraordinarily high' at almost £10 per payment, and complained that there was no clear evidence that the new service had delivered value for money<sup>12</sup>.



Investigations revealed that client departments were employing extra people to cope with invoicing and payment problems, making a planned staff reduction of £43m impossible to achieve<sup>13</sup>. (Reflect on this: a £213m investment to deliver a £43m saving.)

Arguments rumble on. The Auditor General is critical of the failure to monitor developments, while the Permanent Secretary of the Department of Finance claims Account NI to be “a success story”<sup>14</sup>, and the Finance Minister, who disputes the findings of the audit office and accounts committee, says Northern Ireland’s shared services are “an exemplar not just in Europe but in the world” which has “caught the interest of other governments”<sup>15</sup>.

### Southwest One

Southwest One (SW 1) was a joint shared-service venture between Somerset County Council, Taunton Deane Borough Council, Avon and Somerset Police, and IBM. It began in 2007 with the usual promises of efficiency savings. Like many other ventures it had problems with the IT component<sup>16</sup> and by 2011 it was reporting a loss over the first three years of operation<sup>17</sup>. In the same year Somerset County Council renegotiated the contract in order to take most of the services back in-house, which in the words of the local MP left SW 1 as “little more than an IT supplier”<sup>18</sup>.

In February 2012 the Conservative leader of Somerset County Council launched a blistering attack on SW 1, describing it as “failing” and “delivering “staggering” losses<sup>19</sup>. Even worse news was that the council felt it could not walk away from the contract because the cost of doing so was prohibitive: it had no option but to stick with it<sup>20</sup>. On top of that there have been multi-million pound contract disputes and millions spent in settlements<sup>21</sup>.

By now readers will be getting the picture. These examples are broadly typical of what happens in any shared-service venture.

I should add that before the launch of the NAO report, towards the end of 2011, I attended a discussion at which the high-level results were presented along with the Office’s conclusions on the failures of shared services. I made the points discussed here, but nothing of what I had to say appeared in the final report. Most of the other attendees were from IT companies providing shared-services platforms. To say I was not popular is an understatement.

Unperturbed by the burgeoning evidence, in 2012 Francis Maude, minister for the Cabinet Office, published a business case called *‘Next generation back-office shared services for Government’*<sup>22</sup> which looked to “extend shared services beyond the back office to the front office” — in other words, call centres should be subject to the same centralisation and sharing as back offices. The plan is for an ‘independent’ shared-services facility, a euphemism for a joint venture with the private sector. According to Cabinet Office estimates, the new centre would require “an investment of between £44 million and £95 million” and save between £67 million and £128 million a year at a minimum. Within these numbers is a ‘saving’ described as avoiding software upgrade costs, which looks a bit like desperation<sup>23</sup>.

It is at first sight surprising that Amyas Morse, the head of the NAO, endorsed the Cabinet Office business case. Tellingly, he resolved the dissonance by accepting the government line that it had been a mistake to make sharing services voluntary and allow services to be tailored to the needs of different departments. If departments were compelled to share and to work with standardised processes, Morse reasoned, shared services would deliver their promise<sup>24</sup>.

Nothing could illustrate more clearly the strength of the ideological belief in scale, and the refusal to accept the possibility that there might be an alternative. Yet in practical fact, Morse couldn’t be more wrong. Standardising a service prevents it from dealing with the variety of demand, so the costs of shared services can only rise along with failure demand and the blood pressure of frustrated ‘customers’.

As in central, so also in local government, where a veritable campaign in favour of shared services has been raging, orchestrated by Whitehall, the Local Government Association (LGA), and, of course, private-sector providers (often through the think tanks they sponsor). The LGA now boasts of 337 local authorities operating 383 shared-services initiatives<sup>25</sup>. However, the good news, if you can call it that, is that the bulk of these initiatives are in-house ventures that have merely achieved less-of-a-common-resource savings, which can be deduced from the numbers: the claimed savings amount to only £357m, less than £1m per initiative.

We can also deduce that the scope for significant improvement in local-authority services remains enormous; services that are popular choices for sharing, like IT and HR, show massive potential for improvement. IT help desks, for example, typically don’t help, whether

shared or not. When studied and redesigned (more about this in Part 2) they do — help and do so at much lower costs.

## Spurious claims

A trawl of the policy documents claiming benefits from shared services — documents provided to ministers — reveals that they often include savings reported from other ventures around the world as ‘delivered’ although they were merely business-case projections. Gershon fell for this in a big way, taking promised savings from public-sector ventures as delivered and accepting examples from the big consultancies’ that were almost all anonymised. IT companies take advantage of gullible civil servants who, in their defence, are obliged to find ‘evidence’ that fits their ministers’ narrative. The most glaring example among many may be the shared-services venture in Western Australia, which, in Aussie-speak, ‘blew out’ at a cost of \$370m<sup>26</sup>, but whose projected savings were included as ‘delivered’ in reports to politicians extolling the virtue of sharing services.

We have already noted that plans and promises rarely include evidence of service costs before the sharing venture, while ‘savings’ reports often ignore the investment costs. Finally, what is never understood is the total costs of service, the figures relying instead on ‘improvements’ (reductions) in transaction costs.

Despite all the evidence, the appetite for sharing services is undiminished. Ministers think with greater coercion and better project management they will succeed. They are engaged in a classic case of trying to do the wrong thing righter. I shall return to the problems of ‘project management’ in Chapter 6.

Yet all is not lost. In the end what matters is not where a service is located, shared or not, but how it is designed. Re-designing the services provided by shared ventures is feasible and experience shows that the result can be high-quality services capable of meeting the needs of disparate users. I shall return to the principles for better design in Part 2.

When shared services have been outsourced, however, a further difficulty presents. To this matter we turn in the next chapter.

## Chapter 5: Outsourcing

At the time of Gordon Brown’s inadvertent creation of a market for private-sector backlog-busters in housing benefits, we were engaged by a local authority to help it improve its housing-benefits service. It transpired that the benefits staff actually belonged to a private-sector ‘partner’; not immediately obvious as agents worked in the council offices and to all intents and purposes behaved as part of the council. The results impressed council leaders. It was, they said, the kind of innovation they’d hoped for by outsourcing their services to the private-sector partner.

This led to a meeting with the chief executive of the outsource company. He too was impressed by what the housing benefits people had achieved, and excited at the revenue potential from doing the same for other councils. We were in one of the company’s offices in the North East. Outside our meeting room there were groups of people working as backlog-busters for a number of local authorities. I suggested those would be a good place to start, for the firm already had a relationship with these authorities and if it followed the same method the local councils would no longer need the backlog-busting service. In my view, a great value-creating pitch. His reply was, “That’s not very commercial, John”.

In 2013 I was at a lunch in the City with leaders of private-sector providers of public services. One, a chief executive of a firm supplying custody management for the police, thought, as I was to him an ‘improvement’ man, that I’d appreciate his tale of what his firm had been doing to improve custody management. In short, he told me it had cut the time police officers are tied up with the custody-management process, releasing police officers to spend time on their ‘proper’ job.

I pointed out that when you study offenders going through custody suites you learn that a significant proportion of them shouldn't be going into custody at all. They will indeed have committed an offence, but for many reasons (the next step in the criminal justice system isn't ready, or they will be spared custody because of their circumstances) locking them up serves no purpose, since they will soon be released. Genuine improvement would focus on reducing the volume of work in the custody suite, a much more powerful improvement lever. The chief executive changed the subject. His firm's contract was based on volume, so the more people that go through custody suites, the more it earns.

Payment for volume of activity is a common and fundamental error in outsourcing contracts. It incentivises increased activity, the last thing that is wanted in any service, least of all one that consumes public funds. It doesn't take a genius to work out that under a volume-based contract, the more failure demand the system generates, the better it is for the outsource provider. The worse the service from the customer's point of view, the greater the benefit to the provider's revenues.

We can see this pattern in many local-authority outsourcing arrangements. Take, for example, 'Service Birmingham', essentially an outsourced call-centre and IT-support arrangement. The good news at least is that local councillors woke up to the fact that they are paying their 'partner' for servicing failure demand; but an internal inquiry blamed council departments for 'letting down' citizens<sup>1</sup>. They failed to understand that the causes of failure are systemic, the separation of front- and back-offices. Birmingham council has taken its call centre back in house which of itself won't solve the problem and councillors are reported to be saying that exiting the deal would be too costly<sup>2</sup>.

Abandoning outsourcing deals is always costly. Bedford council paid £7.7m<sup>3</sup>, Somerset £5.9m<sup>4</sup>. Many are kept secret for reasons of 'commercial confidentiality'. The truth of way out-of-whack costs being too embarrassing to admit, local politicians tend to put a gloss on the reasons for termination, citing for instance 'benefits from the partnership' that the council is 'now taking forward' — which is partly why such lapsed deals fail to make the national press. Nevertheless, for those who care to look, the high level of terminations is clearly telling us something important.

Francis Maude, minister for the Cabinet Office, continues to maintain that outsourcing is essential for improving public services. It is, he

asserts, "in our interests". Maude believes outsourcing public-sector work to overseas facilities ('offshoring') is essential if the UK is to remain competitive, otherwise jobs will be lost in the UK<sup>5</sup>.

Offshoring takes the idea of moving work to low-wage areas and internationalises it, still in the vain expectation that lower-cost transactions will lead to lower-cost services. Wherever they are located, they don't. Maude, like others before him, is repeating what he was told by Peter Gershon. Gershon's analysis was based on 'evidence' provided by the big consultancies, some of which have their own overseas call centres and back offices and all of which chant the mantra that service costs are identical to transaction costs. They claim that sharing services yields efficiency gains of 20-30%, outsourcing a further 10-30%, and offshoring the same again. In other words, by sharing services and outsourcing them to lower-cost operations overseas, companies can reduce costs by up to 50%<sup>6</sup>. This — pardon the expression — is pure horse shit. The truth is that while large and sustainable gains are achievable by improving the design of a service, sharing services without redesigning them can only release minimal less-of-a-common-resource gains. Outsourcing such unimproved services on the usual transaction-cost basis simply locks in the high costs and, from there, costs will only grow.

Since Gershon, many private-sector companies have discovered that offshoring raises costs rather than reducing them, and have consequently brought work back home (they call it, naturally, 'onshoring!'). Private-sector clients with outsourced operations — which are invariably on transaction-volume-based contracts — find that working with the 'partner' to improve service design inevitably involves new 'works orders' which attract large fees. In time they learn that the only way of achieving a fundamental redesign of the service is to take it back in-house.

Maude clearly believes that the private-sector is 'better'. It makes you wonder why companies with terrible reputations for customer service — some of which are the butt of jokes in national media — even get a look in.

None of this is to argue against outsourcing as such. Vanguard helps private-sector business-to-business services work as one system, where the books are open and gains to the provider follow gains to the whole system. And it is true that the private sector has taken the lead in

developing more constructive outsourcing approaches — approaches that abandon strict contract rules and instead draw up agreements that treat the supplier as part of the same service system, working together for the same purpose.

With such an approach suppliers of custody services, for example, would, like their host police force, be focused on the end-to-end process; only in that way can both parties improve the system. Similarly with outsourcing of customer services in local authorities, cutting failure demand has to involve both parties working together on the services end-to-end; as failure demand falls everyone wins.

A feature of many outsourced service contracts is the big deal they make of providing 'new' IT systems. In practice the IT is of course not 'new' to the provider, being a re-hash of an existing system, but the fees (as ever) to the customer are large. When implementation runs into problems, as it frequently does, the cost of finding solutions too is charged to the customer; another predictable way to increase the supplier's revenues. We will look at these issues in the next chapter.

## Chapter 6: Information Technology

In their aptly-entitled book *Dangerous Enthusiasms*<sup>1</sup>, Robin Gauld and Shaun Goldfinch paint a shocking picture. Thirty per cent of large-scale IT projects fail outright and a further 60% require more time, resource and effort and/or still fail to work properly. That doesn't leave many successes. In 1995 the University of Sheffield published a report which came to much the same conclusions<sup>2</sup>.

The IT industry is of course fully aware of these figures, but they are not something that it likes to talk about. Instead, as technology develops, the IT industry reinvents itself, each advance being promoted as *the* new means to a better future, deflecting any focus on either acknowledging past failure or understanding the reasons. Thirty years ago the 'solution' was personal computing; today it is the cloud, 'big data' and social media. The 'solutions' always involve more IT rather than less. But, as I shall argue in Chapter 11, less is better.

### Public-sector IT failure

The public sector has seen its fair share of complete failures — those (the 30%) that have to be abandoned. The most expensive and well known, once described as the RMS Titanic of IT disasters, was the NHS National Programme for IT (NPFIT), which may have consumed up to £20bn — no one knows exactly — by the time it was shelved by the coalition in 2011. When the idea of a patient record was first promoted by then Prime Minister Blair, he argued that if someone from Birmingham fell ill in Blackpool, the existence of a patient record would ensure they were treated effectively. Nobody, it seemed, asked the obvious question: how many people fell over in a place where they didn't live and the lack of a record led to errors in their treatment? I

have asked that question of ambulance drivers. They think long and hard before invariably answering that they can't think of one. We cannot conclude that it never happens, nor that it could never happen. But before we spend vast resources on solving a 'problem', we ought to find out whether it does happen, how often, how predictably, and with what particular deficits in information. In other words, we ought to know if there is a problem, and if there is how big it is.

I had the opportunity to speak to Jeremy Hunt, the current Health Secretary, when he launched his current initiatives for health reform. I explained that Vanguard had been studying the health system and found that much of the demand was failure demand. The primary cause of failure demand was the fragmentation of services — they were functionally designed, not patient-centric — and the way to eliminate it was to design services around people. He replied that he agreed with my analysis but not the conclusion. In his view the patient record would be the vehicle for joining up services.

To say NPfIT was shelved is not entirely accurate. Hunt is maintaining the drive for patient records, one of NPfIT's key components, but shifting responsibility for implementation to NHS trusts. In 2013 it was revealed that the NHS is still set to spend £600m on a "hopeless" patient record system supplied by a "rotten company", in the words of the chair of the Public Accounts Committee<sup>3</sup>. NHS Trusts that choose the anointed IT system will receive central funding; those that don't will have to purchase something else with their own money.

One of the reasons for this absurdity is the cost of unwinding the contract. After the NHS had to pay £103m to renegotiate the original deal and pay the supplier's legal costs, the civil servant responsible concluded it was not worth running the risk of encountering further legal disputes<sup>4</sup>. Now that the trusts have taken over responsibility, if and when the initiatives fail, they will shoulder the blame.

## Fire and Rescue services

In 2004, when John Prescott was Deputy Prime Minister, he decided that the Fire and Rescue Service (FRS) would be better (i.e. more cheaply) served by regional control centres. The plan was to consolidate 46 local control rooms into nine regional centres using a national computer system. In 2010 the project was declared a complete failure, having

wasted "at least £482m of taxpayers' money"<sup>5</sup> on IT systems that were beset with repeated problems.

Now, years after the project was cancelled, Whitehall still hasn't decided what to do with many of the specially built, high-specification facilities that are its legacy. Some remain empty. I was taken to one by an FRS officer, a gleaming new high-security facility costing millions just to keep heated. Under then chair Dr Phyllis Starkey, the parliamentary Communities and Local Government Committee published a series of thorough reports on the failure which, clearly, went unheeded<sup>6</sup>.

As with Hunt at health, the faith of the Department for Communities and Local Government (DCLG) in regional call centres for Fire and Rescue Services remains undimmed. Again taking a leaf from Hunt's book, it has passed the responsibility for creating locally-led projects to local Fire and Rescue Services, stumping up a further £82m to fund them. It didn't take long for reports to surface of delays and revisions to the anticipated savings (downwards, in case you had any doubts).<sup>7</sup>

These examples are merely the tip of the iceberg of IT failure in the public sector. Dexter Whitfield produced a list which, consistent with Gauld and Goldfinch, rated about 30% of projects as complete write-offs. It is a long list!<sup>8</sup>

Whitfield also provides damning evidence of many partial failures (the 60%).

## Single Farm Payments

To take one example, the IT system for paying farm subsidies under the EU's Single Farm Payment system worked so poorly that the UK was eventually fined £327m for the failure. This was on top of IT costs that had rocketed from an original estimate of £58m to £350m, and a total of £300m spent on temporary staff by the Rural Payments Agency (RPA) to bring down the resulting backlog. Incredibly, the RPA re-hired the same consulting firm that had overseen the meltdown. It's a peculiar feature of the IT industry that failing to create value for a customer generates more revenue!

To put this in perspective, the price of the IT debacle was around five times the RPA's £169m annual running costs<sup>9</sup>. The RPA pays subsidies to 106,000 farmers. As Austin Mitchell, MP, a member of the Public Accounts Committee, observed, it would have been cheaper to send a member of staff around in a Rolls Royce with a bag of gold<sup>10</sup>.

## Doing the wrong thing righter

Any minister or public-sector leader of sound mind who is investing hopes in a new IT project should ask themselves why the project they are so enthusiastic about should be an exception to the majority rule — that is, actually work.

### *Is better project management the answer?*

The first plausible idea they will be presented with is that failure of IT projects is a project management problem. Francis Maude, coalition minister for the Cabinet Office, duly set up the Project Management Academy to teach better project management and the Major Projects Authority to monitor and keep up to scratch the management of important specific projects.

The notion that project management is the problem is plausible. Some of the projects have been shambolic, and reports on them — many, of course, drawn up by the IT consultancies — have drawn attention to the need for better ‘governance’.

Whitehall promotes a project-management methodology called ‘Prince 2’. Many public-service managers have been through Prince-2 training. Prince 2 began life in the 1970s with the expressed goal of improving the delivery of large-scale IT systems through better project management. It was a major initiative to stem the tide of IT failure, already evident all those years ago. Ask yourself this: have we seen improvements in IT delivery and/or a reduction in IT failures over the last 30 years? Yet Prince 2 remains ‘best practice’. “Surely”, people say, “it must be a project management problem”. The fact is that we have been trying to solve the problem with better project management for 40 years and results have obstinately refused to get better. When the only answer to repeated failure is to do the same thing again, only better, it is a sure sign that the initial premise was wrong and we are engaged in a project that no amount of better management will make come out right: doing the wrong thing righter<sup>11</sup>.

### *Will Agile do it?*

Iain Duncan Smith at DWP believes that the IT system at the heart of Universal Credit, his ambitious scheme for reforming benefits, will work because the IT folk are practising ‘Agile’. Agile is an example of the

IT industry re-inventing itself. The idea is that IT development should reject the ‘waterfall’ methods conventionally employed (specify, make, implement) and instead build small-scale developments in a series of iterations where the work is done. But if the way work is done is central to the problem (as is the thesis of this book), Agile can only amount to doing the wrong thing faster.

The UC IT project is a train crash in slow motion. Because of IT problems Duncan Smith slowed the project down, saying he didn’t want the whole scheme to buckle under pressure. Originally the plan was to have 4.5 million people on Universal Credit by 2015. This number has now been downgraded to 400,000<sup>12</sup>. The plans for UC have been re-scheduled a number of times, and the players are changed with alarming frequency<sup>13</sup>.

I wrote to Duncan Smith in the early days of the UC initiative. In essence I explained that he faced two hurdles. The first was getting the IT system to work. But even if he got over that, it wouldn’t help him with the second, which is dealing with the variety of demand. People need help with benefits and credits for complex and infinitely varied reasons. Computers have to work to rules and categories, which makes them notoriously ill-equipped to deal with variety, the first manifestation of which is high levels of failure demand into call centres.

Duncan Smith sent me to see the civil servants who were running the UC project at the time. I explained the hurdles to them and introduced them to private-sector clients who explained the expensive mistakes they had made in thinking that they could overcome the second hurdle by computer.

I even offered the DWP project team an insurance policy: we would create a face-to-face UC service in a local authority, one that had already used our method to improve a benefits service; important because it would know the principles to work with (more on these in Part 2). Compared to the UC project, which was set to cost hundreds of millions and take seven years, such a scheme could have been up and running in months and would have been a powerful test of the principle of UC: what does it take to ensure that people are able to live a normal life rather than be dependent on benefits? I express it that way because the way Duncan Smith and other ministers tell it (how do we ensure people are incentivised to work rather than claim benefits) is not a fair

reflection of reality. It fits with the government's narrative of benefits users as 'strivers and skivers' (or 'scroungers'). But study on the ground shows that scroungers who need to be incentivised are few compared the number of people wanting above all to be helped to live a normal — in their terms — life. I shall return to this in Chapter 10.

None of this changed anything. UC was the government's flagship programme for 'digital by default' and it was the civil servants' job to deliver it as planned. What the civil servants did do was seek to contract with a provider to handle failure demand should UC fail in the way I predicted. I'm sure their motivation was simply to avoid bad news.

At the time of writing UC has been evaluated as being "reset" by the Major Projects Authority. This means that three years in it now has to be judged as an entirely new project.<sup>14</sup> Oh, and of the two civil servants I saw — one has retired, the other has been sacked.

The current efforts to improve IT development are classic examples of trying to do the wrong thing righter — a straightforward symptom of failure to understand the underlying problem.

There are two reasons for the failure of IT: the way we make it and what we make.

### *The way we make IT*

IT development begins with a specification for what the system will provide, agreed with the client. The specification is broken up into an abundance of tasks to be completed by discrete specialist groups that need to be conscious of their works' interdependencies. Above this complex organisation sit various levels of project management and control ('governance'). Often there are more people employed in governance and progress-chasing than carrying out the work. Governance is dominated by an ethos of working to budgets and plans. So IT developers worry about meeting the budget and plan, rather than whether the IT works.

The way we make IT leads inevitably to the failures evidenced by Gauld and Goldfinch. The IT industry has become industrialised and massively complicated. The big IT companies have a vested interest in it staying that way. The number of people involved in IT development is staggering.

These industrial designs, as with the industrial designs of public services, just don't work. When failure occurs, as it always does, the response is to increase control with 'war rooms', multiplying 'reviews' and the like. Far from solving the problem, this just exacerbates it<sup>15</sup>.

### *What we make*

IT is the enabler of today's industrial service designs. For example, a computer 'workflow' system is needed to move information between the front and back office. Workflow is actually a misnomer. The fragmentation (specialisation) and standardisation of work and activity management that it entails amplifies work and builds inventory and thus impedes the flow of work, making the whole system less able to respond to customers. When we help service organisations redesign their service to work better for the customer, back offices disappear, and so do the associated workflow systems.

Or take local authorities' expensively acquired Customer Relationship Management (CRM) systems. Again, these are usually full of failure demand and progress-chasing. Effective services make CRM systems redundant. Like CRM and workflow systems, 'productivity management' systems to control works tradesmen also do the opposite of what they say on the tin. Like them, when the service works, they go too. And so we have a third kind of IT failure: IT that 'works' but is counterproductive and later has to be scrapped.

When private-sector companies 'get' this and grasp the scope for improvement, they abandon their workflow systems and the industrialised service designs that go with them. Unfortunately, the public sector, not having the rudder of profit, can't act so easily to undo its mistakes. Even where such arrangements are not locked in by outsourcing or shared-services contracts, the political pressure from Whitehall and regulators and 'best practice' seminars make behaving rationally difficult.

To take an example, many benefit services now deploy software that purports to be able to detect fraud over the telephone. Its protagonists argue that such a step became necessary when face-to-face service was replaced by electronic and telephone contact as part of the industrialisation of benefit services. The evidence shows these systems are poor at detecting fraud. One researcher concluded that the output

generated by the software is “closer to astrology than science”<sup>16</sup>. He added that he was surprised it was still being used because of the “very good work done by the DWP in the UK showing it did not work”.

The reaction to this evidence is instructive. Peter Fleming, a councillor who chairs the Local Government Association’s improvement board, said the software was used “as part of a wider range of methods to identify cases which may need closer scrutiny”. The private-sector supplier argued that the “technology is a useful additional tool in the validation process of identifying potentially fraudulent claims”<sup>17</sup>. In other words, when protagonists are confronted with evidence showing we are wasting money and failing to achieve the purpose, they simply deny it.

The best way to detect fraud is by meeting and talking to claimants directly — a face-to-face service. But that would fly in the face of the political narrative. Industrial designs make fraud easier — a computer is far easier to fool than a human being. Yet, however ineffective, fraud-detection software will not disappear until the industrial design itself is abandoned; just to dump it is too politically dangerous.

## Abandoning IT-led change

The coalition government promised an end to large-scale IT projects<sup>18</sup>. But the temptation is evidently still too great. Ministers clearly believe the IT companies’ propaganda about IT as a means to efficiency, even though the evidence contradicts the claim. This is not to deny that IT can do things quickly and efficiently — the problems come when IT is used for automating things that people do better (e.g. making judgements in complex circumstances), and even more so when it is treated as the enabler, the means of change.

IT is the servant not the master of service redesign — the last change element to be put in place, not the first. Change that begins with studying and redesigning service will make far more economical but much more effective use of IT, because it is based on knowledge. I shall return to this in Chapter 11. Before that we have to turn to the issue of how to design services that work.

## Part 2: Delivering services that work

### Introduction

Over the last ten years we have published many examples of profound improvement in public services. They show how better results are achieved by changing the system, ‘the way the work works’. A change in the system requires a change in philosophy, a change in management thinking. This is a difficult thing to achieve — you can imagine how most managers react if they are told that the way they manage, everything they believe about management, is just plain wrong or, to be more accurate, suboptimal. That is the first and hardest hurdle — understanding how our current conventions in managing organisations are not only incapable of solving the problems we face but are also, unfortunately, the *cause* of many of them.

We, mankind, invented management, so we can also decide to do it differently. The evidence shows that we can make enormous strides in improving public services and reducing their costs (by a surprising amount) if we approach the problem with a different logic from conventional management thought. It is a shift from managing the parts to managing the whole, and managing the whole requires completely different thinking about the purposes and activities of management. This is not a refinement or addition to the way we currently manage — it is to renounce management ‘as is’ and replace it with a different philosophy and practice.

To deliver services that work it is necessary to turn the assumptions of industrialisation on their head. The uncomfortable truth — uncomfortable at least for politicians and the big consultancies that are the champions of industrialisation — is that greater economic