

# GET MORE FROM YOUR TAXES!

PRICE 30P

## THROUGH PRODUCTIVITY MANAGEMENT

### INTRODUCTION

Raising the productivity of industry and commerce has been a major preoccupation of successive governments since the Second World War. Most attention has focussed on fiscal policy (tax), deregulation and competition, and on education and skills. The nuts and bolts of raising productivity have never enjoyed much support, nor has the public sector been aware of its potential for improving services and cutting taxes. Productivity management aims to provide the methods and tools to help organisations work *smarter*. Organisations can hardly take advantage of the winds of competition if the crew lack the know how to handle the sails.

### SOME HISTORY

The historically minded may cite the Roman Army or the Royal Navy over the centuries as knowing a thing or two about organisation but most consider the American Frederick Winslow Taylor to be the ‘father’ of modern management and US manufacturing to be the ‘habitat’. Taylor and other pioneers simply looked at and measured how work was done. Henry Ford, for example, broke down the manufacture of the Model T into a series of consecutive tasks, each to be completed on an ‘assembly line’ by a single man or group. The work was hard, repetitive and boring, but it meant survival for the desperate masses emigrating from Europe.

In the 1920s Walter Shewhart, W Edwards Deming and Joe Juran developed statistical methods of quality control. Instead of inspecting everything (or none) they began to take samples. So, for example, a worn drill would show up in wider variations in the finished piece. Its useful lifetime could then be predicted and it could be replaced well before the finished pieces had to be rejected. A further development was the work of Elton Mayo of ‘Hawthorne experiment’ fame.

Mayo considered how people worked best bringing the human relations dimension into modern management.

It took over 50 years for American concepts of mass production and productivity management to fully take hold in Europe. The old British Productivity Council and then Ministry of Technology did sound work in the 1960s and the 1970s but, no doubt due to the industrial relations problems of industry at the time, the productivity focus was somehow lost and attention turned to market solutions. Its absence is part explanation for the UK’s long-term endemic private sector productivity problems whereas, in the public services, most managers have not even heard of productivity techniques.

### PRODUCTIVITY MANAGEMENT

Approaches to improving productivity come in various forms. Here we will examine one aspect of this – the ill-fated “best value” policy whose failure has cost the council taxpayer billions in terms of lost opportunity.

The policy itself was soundly based and the key principles it embodied, known as the ‘4Cs’ are well understood by value practitioners around the world. These comprise Challenge, Consult, Comparison and Compete. No problems in themselves: what was not revealed to authorities was how in practice these principles are achieved. A key reason for this failure was that it was no one’s job to do this – not least due to unawareness on the part of policy makers. In respect of *compete* Conservative controlled Wandsworth had led the move to competitive tendering and made progress with basic statistical process control methods to manage contracts but this was rare.

The main problem was with *challenge*, which is about both changing the ‘mindset’ and the development of specific skills

## AN ALDES REPORT

AUGUST 2007



This report derives from a paper entitled **Productivity Management - getting more from your taxes** written by **Clive Bone MBA CEng FIMechE FIET FRSA** with the assistance of a group of ALDES members including Professor Alan Stainer, Emeritus Professor of Productivity at Middlesex Univ. The full paper is on the ALDES web site [www.aldes.org.uk](http://www.aldes.org.uk)

---

that embrace teamwork and proper or, in the jargon, 'function' analysis methods. Function analysis is critical in **comparison** because like must be compared with like. Without confidence that the comparison is valid one can not set ambitious goals. This is not rocket science and it is worth quoting an extract from the proceedings of the First European Value Conference of 1966 from a paper by a Philips Industries executive describing what is needed to make a value programme work:

1. *Clear and unequivocal top management support – demonstrated through direction and review of team activities*
2. *Team work – in which the necessary energy and enthusiasm are automatically generated*
3. *Intensity – where the team have a task, a time deadline and set themselves a cost saving target*
4. *Training where all team members have participated in a training seminar*

In other words it was not the 'best value' concept that was the problem but the lack of awareness at the very heart of Government, the civil service and the wider public sector, of how to make it work. This raises a major policy issue: there would have been no problem had rigorous awareness raising in respect of productivity skills continued under successive governments. As we will see later, ignorance has a cost.

Moving on, clearly there is need to **consult** to ensure that user and customer needs are met. Also, any new initiative depends on the acceptance by staff of the need for change and councils knew a thing or two about this. Such programmes work best when there is commitment from managers to ensure jobs are not needlessly lost; that in most cases staff will be required to work smarter rather than harder and, where appropriate, rewards will be shared. Public sector staffs are no different to their private sector counterparts and are motivated by pride in their job and not just money. Rewarding the elimination of past poor practice however is not appropriate.

Back to **comparison**, this can cover a wide range of measurement from comparison of costs by different authorities such as cost/tonne of paper collected. It also covers the analysis of processes – itself a skilled task. Long waiting lists in a Yorkshire hospital were reduced by two separate initiatives. In one case the surgeon had to wait for patients to be prepared by nursing staff. Allocating two adjacent theatres allowed him to double output at the cost only of extra nurses. In another instance the surgeon had to wait until the anaesthetist had brought the patient round. The anaesthetist was reluctant to hand the patient to another lest an accident led to dispute over liability but a second anaesthetist doubled the productivity of the theatre. By comparing the processes others could follow suit.

Remaining with health, GP surgeries experience difficulty giving all patients an appointment within the Government target of 48 hours. Some require patients with 'non-urgent' needs to ring up on the day to see if a slot is free. This is both frustrating and unnecessary. Requests fall into three broad categories: urgent, within 48 hours and 'check up'.

Monitoring the pattern of these requests will show that urgent requests are higher at certain days of the week (eg Mondays) and times of the year and vice versa, so that appointments for check ups (eg mid week afternoons or

evenings) can be allocated with confidence well in advance. Monitoring processes can also improve stock control, so reducing both cost and space needed; staffing at public desks and so on. Nor does every single event need to be recorded: properly designed statistical sampling is more cost effective.

The fourth principle, **competition**, recognises that man is at heart a lazy animal and, without some spur, can easily slip back into the easy 'we've always done it this way' syndrome. Thus a review team must ask itself whether it is best to provide the service in-house or purchase it from outside. In practice value analysis applied effectively in most instances will find that by working smarter the service is best left in-house and there are published examples of where value management methods have saved hundreds of public sector jobs. However, even if contractors do the work the use of value incentive clauses in contracts enables ongoing improvement through value analysis and other such methods.

## THE COST OF IGNORANCE

We believe an across the board increase in public sector productivity hike of 10% or so would be a modest starting point for policy. The Liberal Democrat Public Services Commission under Chris Huhne in 2002 accepted the need. On pages 45 and 46 of **Quality, Innovation, Choice** it said:

*"In addition to raising procurement skills, as we expect that direct public sector provision will remain of major significance in the public services there is also a need to raise management skills more generally in the public sector. There are a wide range of management techniques for improving performance and productivity, to which government has frequently paid lip service, and a number of useful programmes such as Investors in People and ISO 9000. The key to effectiveness however is giving political priority to ensuring best practice is effectively adopted."*

Lack of productivity management expertise and skill has a hidden and pernicious impact on our wellbeing. It undermines our public services and impedes the growth of private sector industry and commerce. It limits the capability of organisations no less than does illiteracy. Indeed, lack of capacity here is a form of illiteracy. It also generates waste in terms of human effort, raw materials and pollution. The results are usually felt by the economically disadvantaged in terms of low pay, limited opportunity and social exclusion. Clearly we also need a greater awareness of the carbon footprint of poor productivity.

There is much that can be done by way of remedy and the costs are negligible by comparison to the benefits. Improving productivity is not rocket science – the methods and tools needed are easily acquired by managers and readily practised on the shop floor. It just requires leadership and vision from top management that in turn calls for a social climate conducive to change.

Raising the productivity of public spending – not counting pensions and benefit payments to individuals – by up to 15% would free over £bn 50 of tax either to be returned to electors or used for better purposes. It is potentially a huge prize.

---