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## Spanner in the streamlined works

[Jane Dudman](#) Wednesday 1 July 2009

Plans to improve public sector systems could backfire, leading to higher costs and poor performance

Efficiency is the watchword across the public sector, as managers plan for difficult times. The government's final report on its operational efficiency programme (OEP), which came out at the time of the budget, claims it will be possible to save billions of pounds, without affecting services, by more efficient back-office systems - better IT, HR and finance.

Many public sector managers appreciate that considerable efficiencies could be made by streamlining the many disparate IT systems that remain, sometimes within single government departments and agencies, and it's not surprising that IT suppliers are keen on this agenda. Gary Bettis, director of IT advisory services at Serco Consulting, argues on the Public website that, in theory at least, if 90% of government back-room services could be standardised, it should cut costs by up to 40%. However, he acknowledges that there can be a "huge amount of risk" to service delivery if change on this scale is attempted.

Others are cynical about streamlining claims. John Seddon, managing director of Vanguard Consulting and author of *Systems Thinking in the Public Sector*, is an outspoken critic of the government's attempt to make the public sector share services such as IT and HR. He sees the OEP recommendations as simply creating "more back-office factories" and says there is no evidence that consolidating IT services in this way will make government more efficient. In his book and on his website, Seddon argues that the evidence points firmly the other way. "The further industrialisation of public services will inevitably lead to higher costs and worse services," he states.

This "industrialisation", including the use of call centres adopted from the private sector, has failed to improve services, says Seddon, and instead has created more work. "Service industrialisation represents the pursuit of lower costs through economies of scale. Yet higher costs ensue. The most evident cause is 'failure demand' - demand caused by a failure to do something . . . for the customer, who then has to call again, creating extra work. In industrialised financial services organisations, 0% to 60% of all work coming in may be failure demand. In police forces and local authorities, it is usually higher."

Seddon acknowledges that getting hard evidence for this view is difficult, but points to reporting by the media of heavy investment in systems in parts of the public sector, with little clear return for money. When good service isn't provided by government departments, he adds, there is a knock-on effect, pushing demand into local authorities, advice agencies, legal services and the courts.

"If we delivered services that worked, we would have less demand, and thus more capacity," he says. But it is not acted on in the right way. Seddon believes the government's target of

trying to reduce "avoidable contact" simply creates more work - such as measuring and reporting avoidable contact: "This is management by fear, which encourages managers to engage their ingenuity in under-reporting. No one is engaged in solving the problem."

Seddon, a proponent of the lean management techniques developed by car manufacturer Toyota, believes that organisations need to design services to cope with customer demand. "This means getting rid of all arbitrary measures, including targets and budget-based measures, and instead deriving measures from the purpose of the service from the customers' point of view." The result would be large improvements in productivity, service and employee morale. Economy of scale is a myth and calls for standardisation, while plausible, are wrong-headed, Seddon says . "Giving customers what they want is cheaper."

- Jane Dudman is editor of Public, the Guardian's website for senior public managers, at [guardianpublic.co.uk](http://guardianpublic.co.uk). Systems Thinking in the Public Sector, Triarchy Press. [triarchypress.co.uk](http://triarchypress.co.uk).