

Managing Austerity: Doing the Right Thing Right

John Beckford

Project Challenge

NEC: 30th March 2011

- Managing Austerity
- Conventional Organisation
 - Conventional Response
- Unconventional Organisation
 - Unconventional Response
- Doing the Right Thing Right
- Measuring Performance

- Cuts?
 - An increase in government spending
 - from £694bn in 2011/12 to £744bn in 2014/15 = £50bn
 - Shift in focus
 - from revenue spending to debt reduction
 - interest £30bn in 2009 to £65bn in 2015
 - £60bn capital bill for new hospitals (PFI)
 - from central control to local control
- Threat or opportunity?
 - Depends how we deal with it!

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Conventional Organisation

- Common thinking
 - a bureaucratic hierarchy

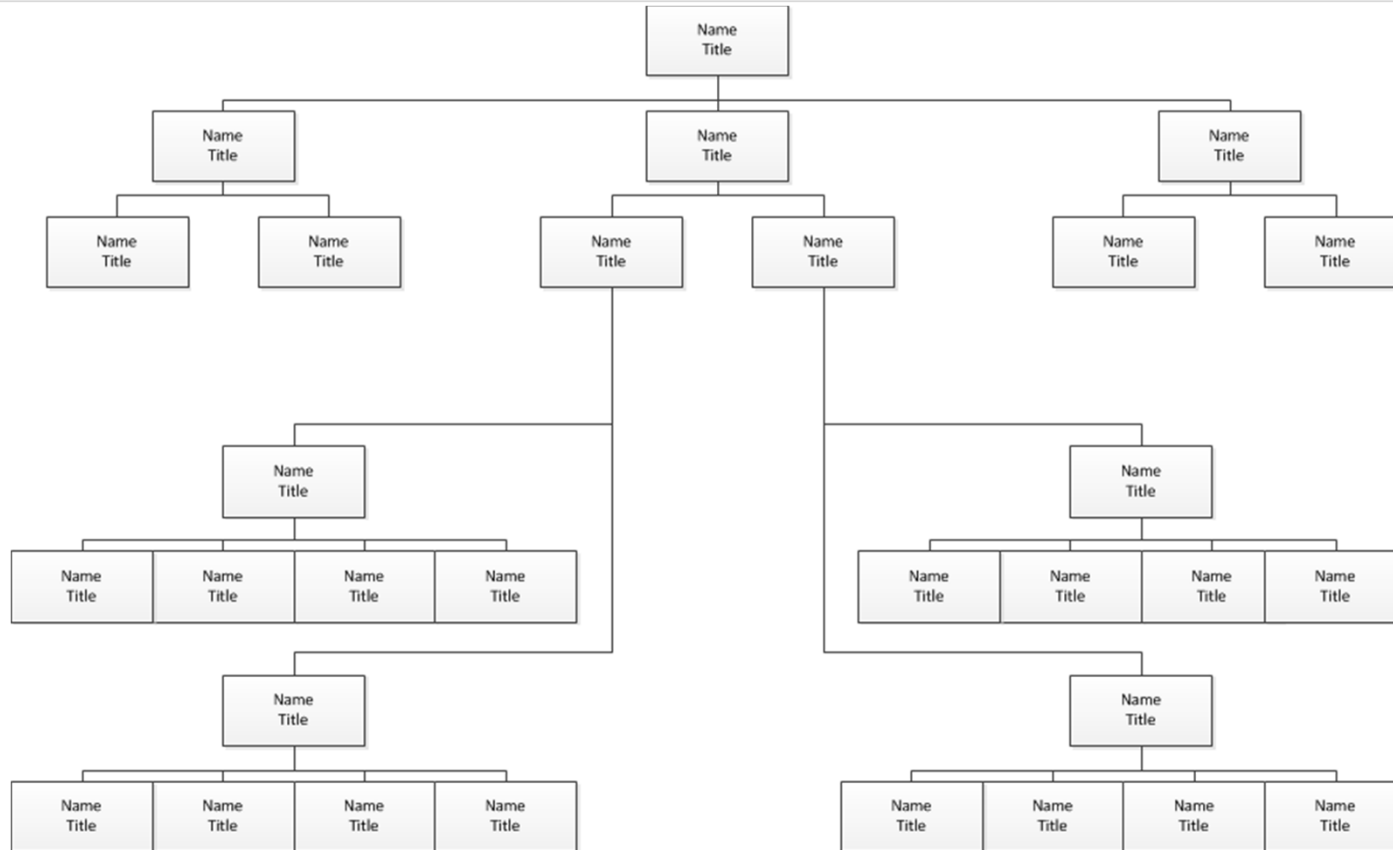
Conventional Organisation

- Common thinking
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- Informed by:
 - Scientific Management, Frederick Taylor, 1911
 - Principles of Management, Henri Fayol, 1916
 - Bureaucracy Theory, Max Weber, 1923

Conventional Organisation

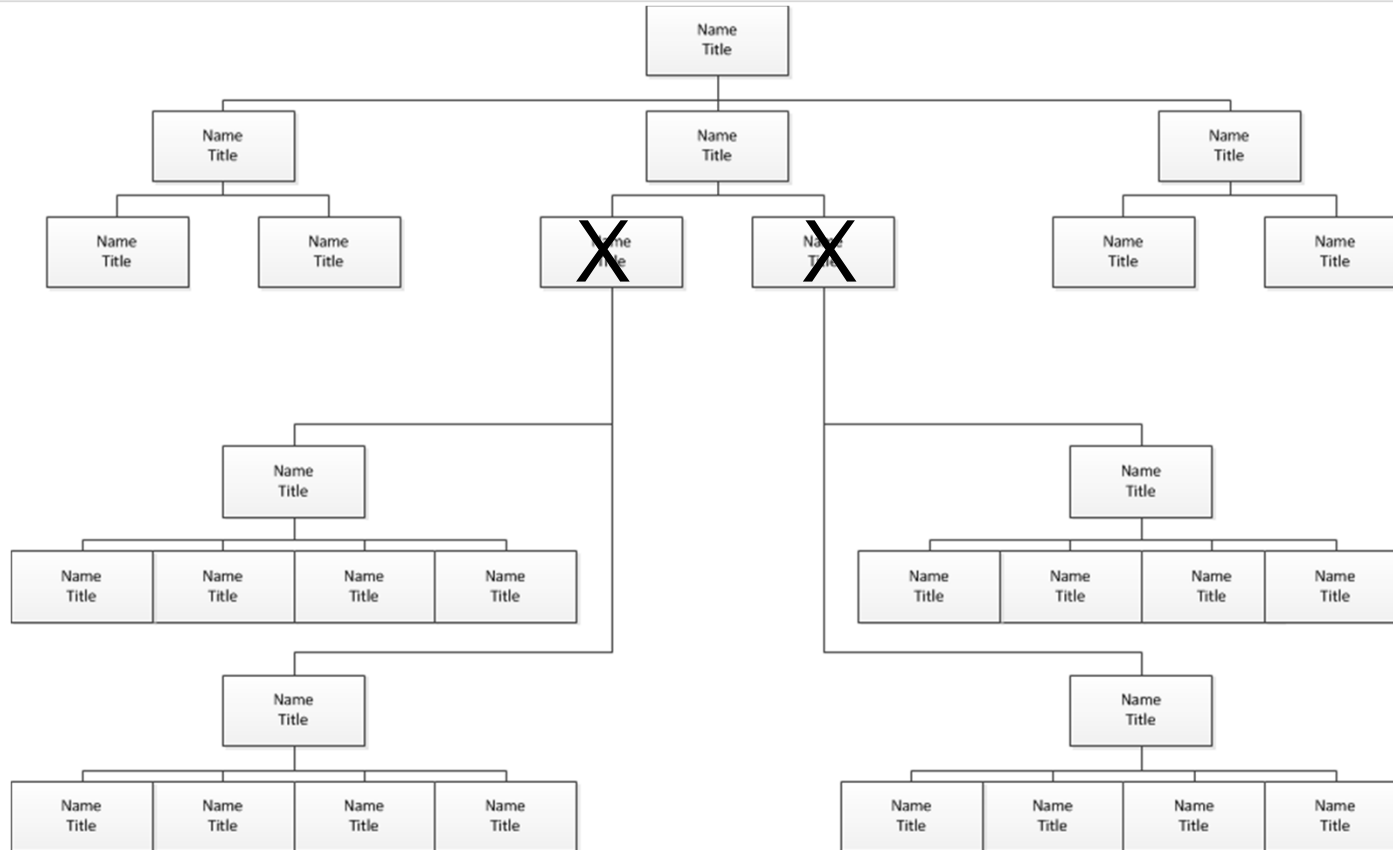
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- Informed by:
 - Scientific Management, Frederick Taylor, 1911
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 - Bureaucracy Theory, Max Weber, 1923
- Overlaid with:
 - Human Relations Theory, Elton Mayo, 1949
 - Hygiene and Motivation Factors, Frederick Herzberg, 1959
 - Hierarchy of Needs, Abraham Maslow, 1970

Conventional Organisation



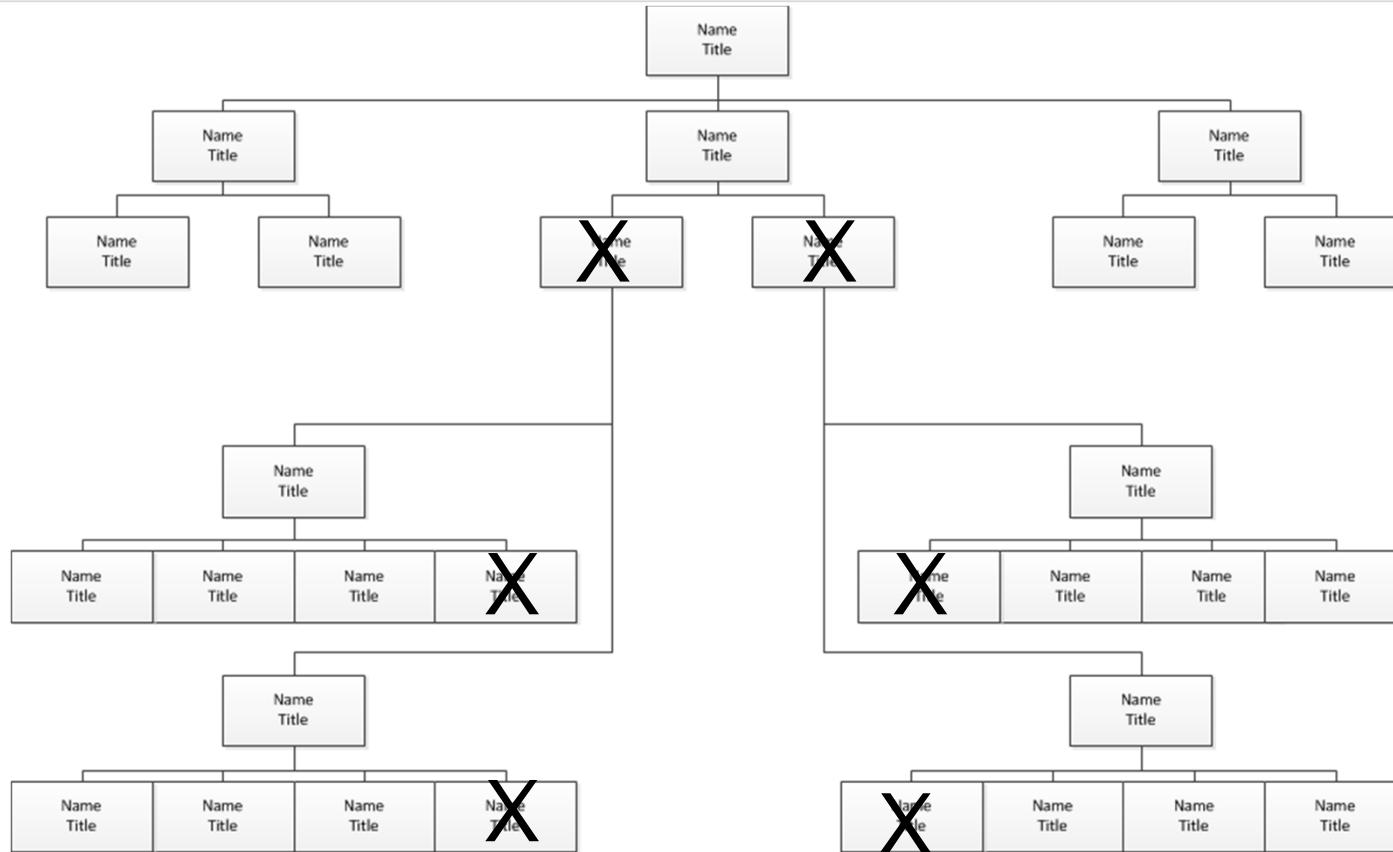
CUSTOMER DEMAND

Conventional Response



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 - Performance will fall

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 - Fewer staff now working harder?
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 - Stress will increase
 - Performance will fall
 - Demand is unchanged
 - Customers unserved and unhappy

Conventional Response

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 - Pathologically autopoietic
 - Dysfunctional

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- But.....
 - Incompetent
 - Pathologically autopoietic
 - Dysfunctional
- It's purpose is.....
 - Not understood
 - Not articulated

Conventional Organisation

- Systemic Deficiencies
 - Centralised decision making
 - A 'controlling mind'
 - Internally focused
 - Autonomic
 - Adaptation designed out

Conventional Organisation

- Systemic Deficiencies
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 - Adaptation designed out
- Effective change (managing austerity!) requires:
 - structural, informational and behavioural responses

Unconventional Response

- 'Unprecedented cuts' demand an 'unprecedented response'

Unconventional Response

- Purpose
 - the reason for the existence of the organisation
 - the ‘why’ that gives meaning to the ‘what’, ‘how’ and ‘who’
 - the basis of measuring effectiveness AND efficiency

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- Purpose
 - the reason for the existence of the organisation
 - the ‘why’ that gives meaning to the ‘what’, ‘how’ and ‘who’
 - the basis of measuring effectiveness AND efficiency
- Re-invent the organisation
 - ‘Do the right thing right, not the wrong thing better’
 - Effective – fulfilment of purpose
 - Efficient – maximising utilisation of resources

Unconventional Response

- What is 'right'?
 - Effectiveness – fulfilment of purpose
 - Defined in terms of the customer needs and expectations
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- What is 'right'?
 - Effectiveness – fulfilment of purpose
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 - Distributed control
 - Information for decisions
 - Continually adapting to changing circumstances
 - Learning
 - Increasing efficiency



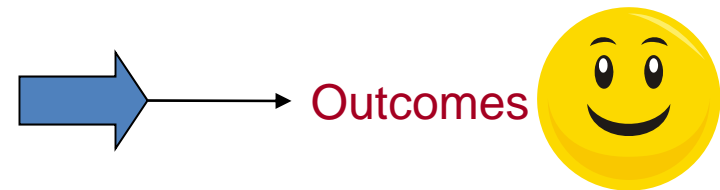
Unconventional Response



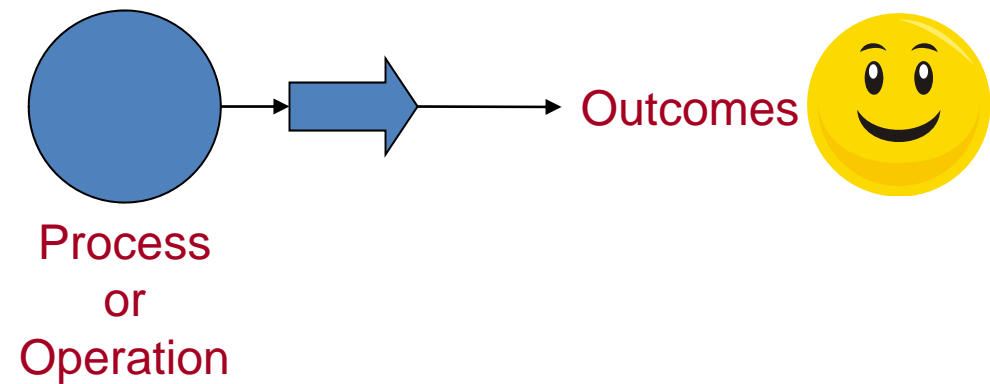
Unconventional Response



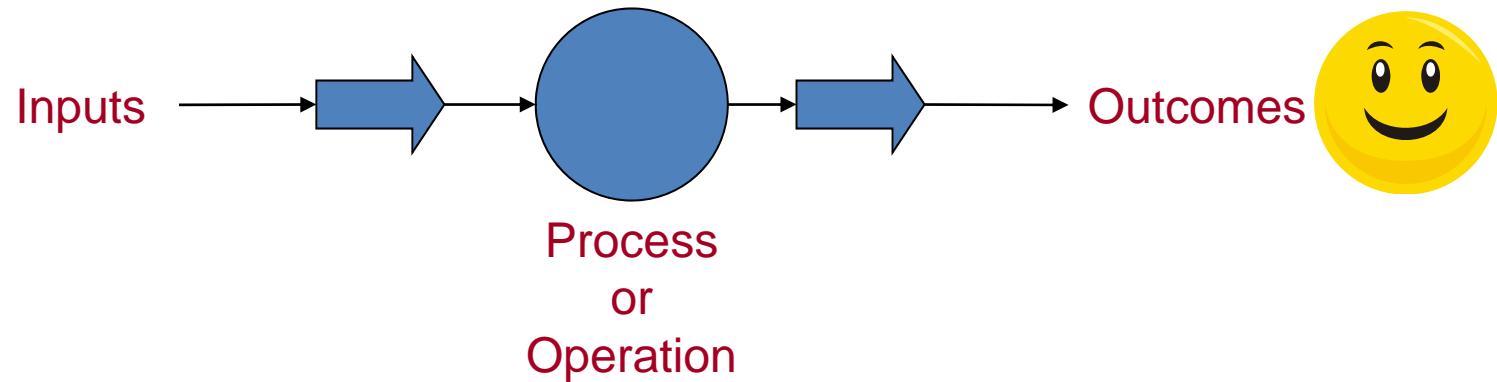
Unconventional Response



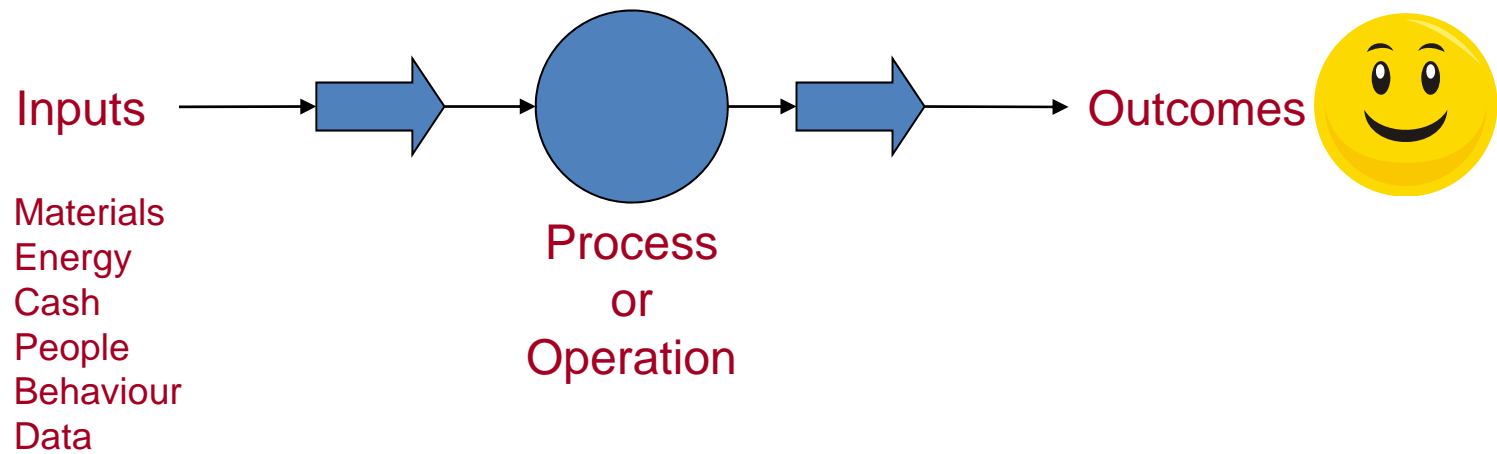
Unconventional Response



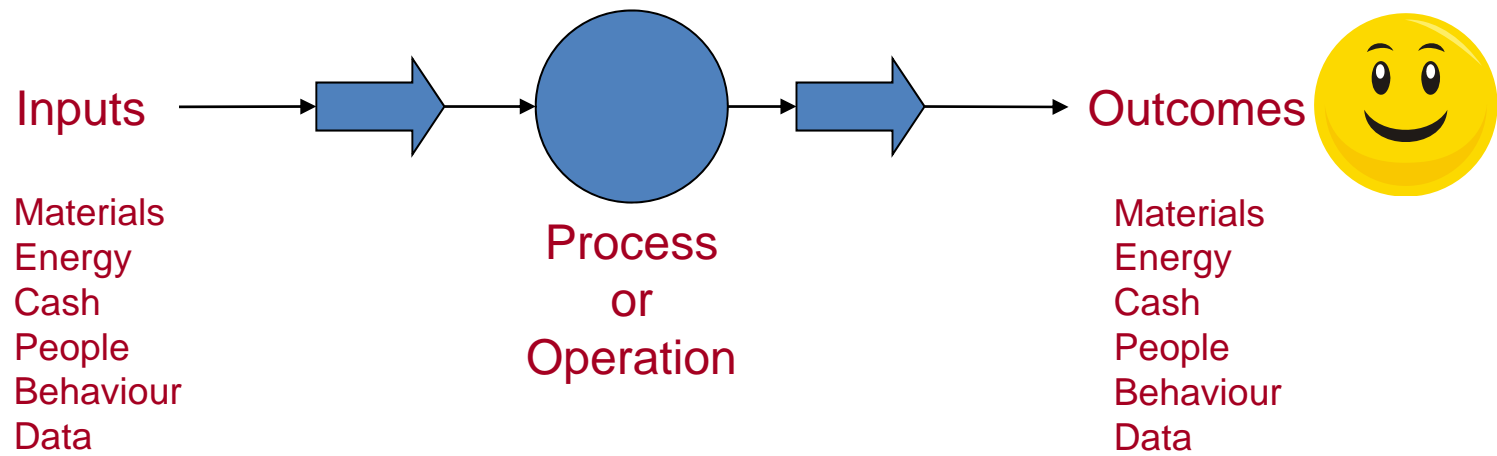
Unconventional Response



Unconventional Response

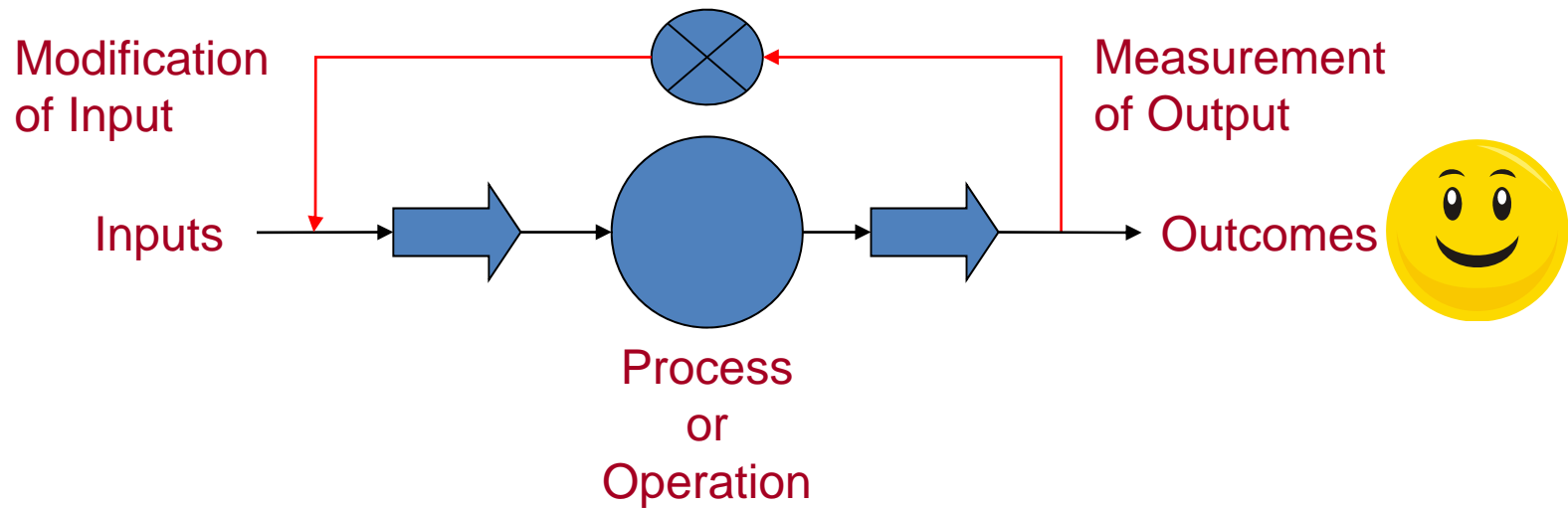


Unconventional Response



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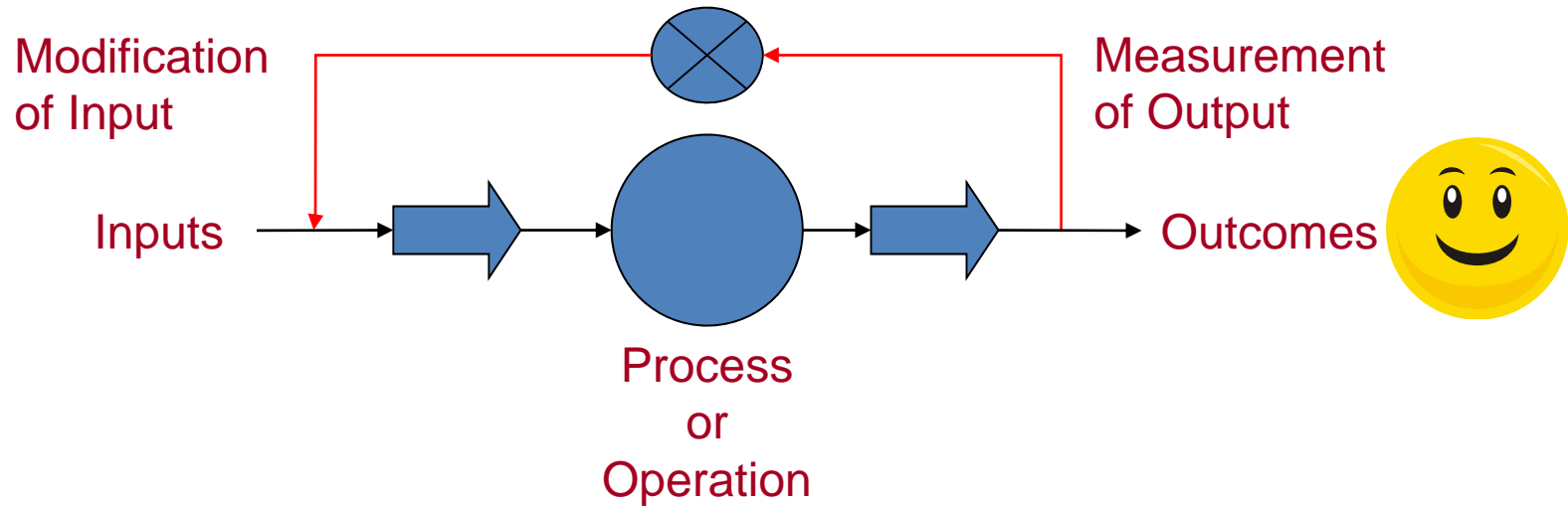
Information for Decisions



Unconventional Response

Did we do things right?
How could we do better?

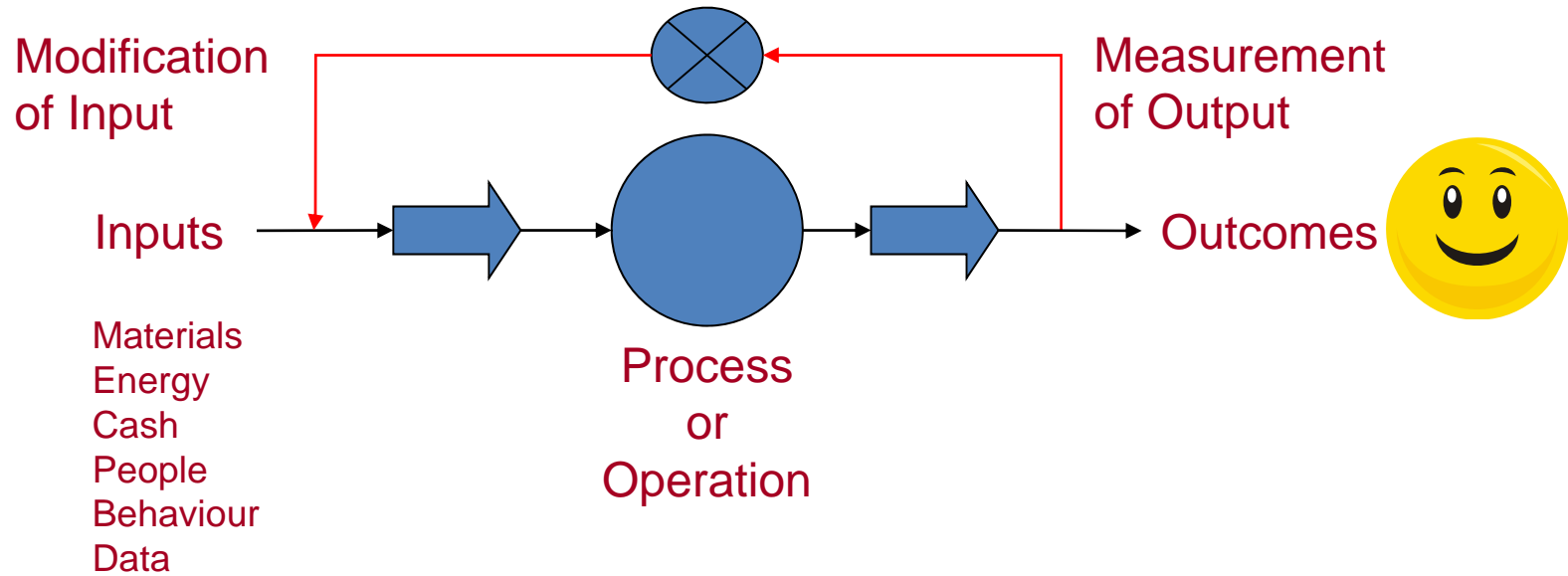
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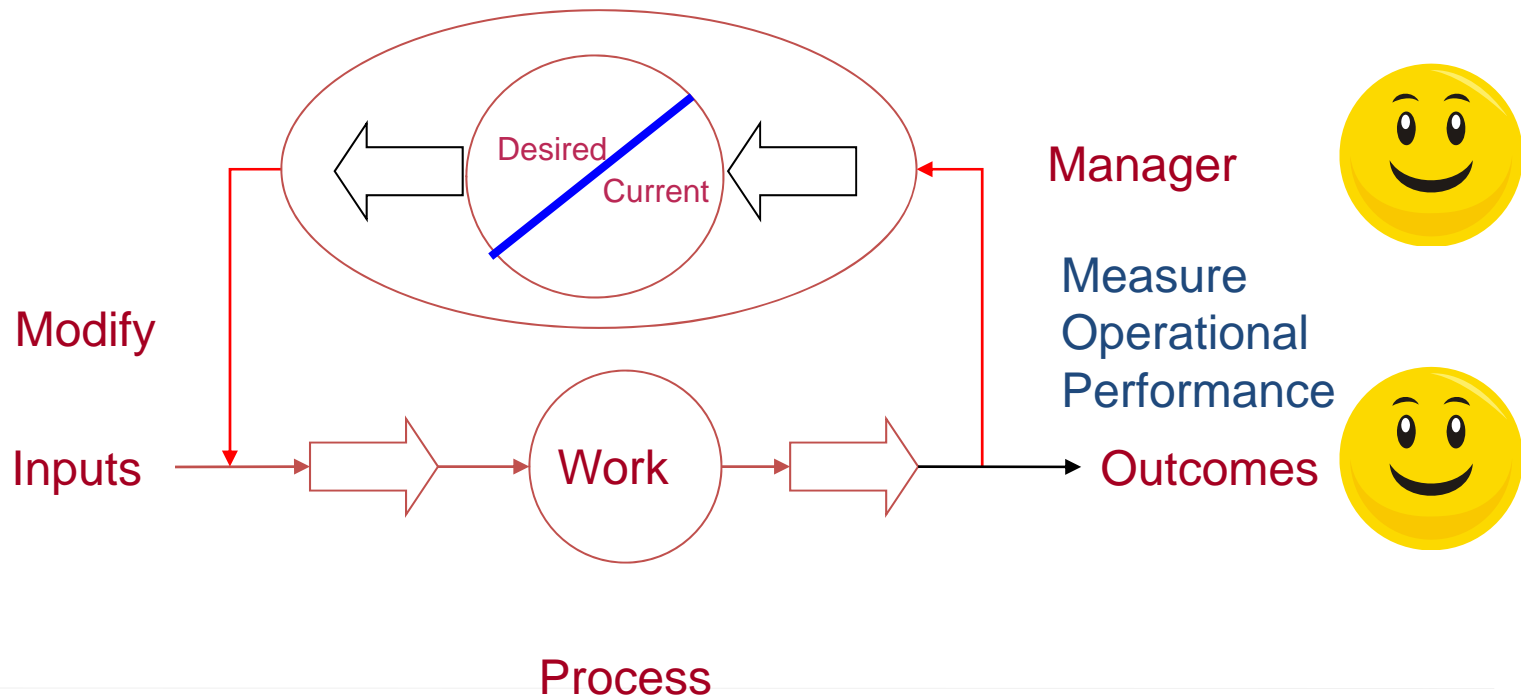
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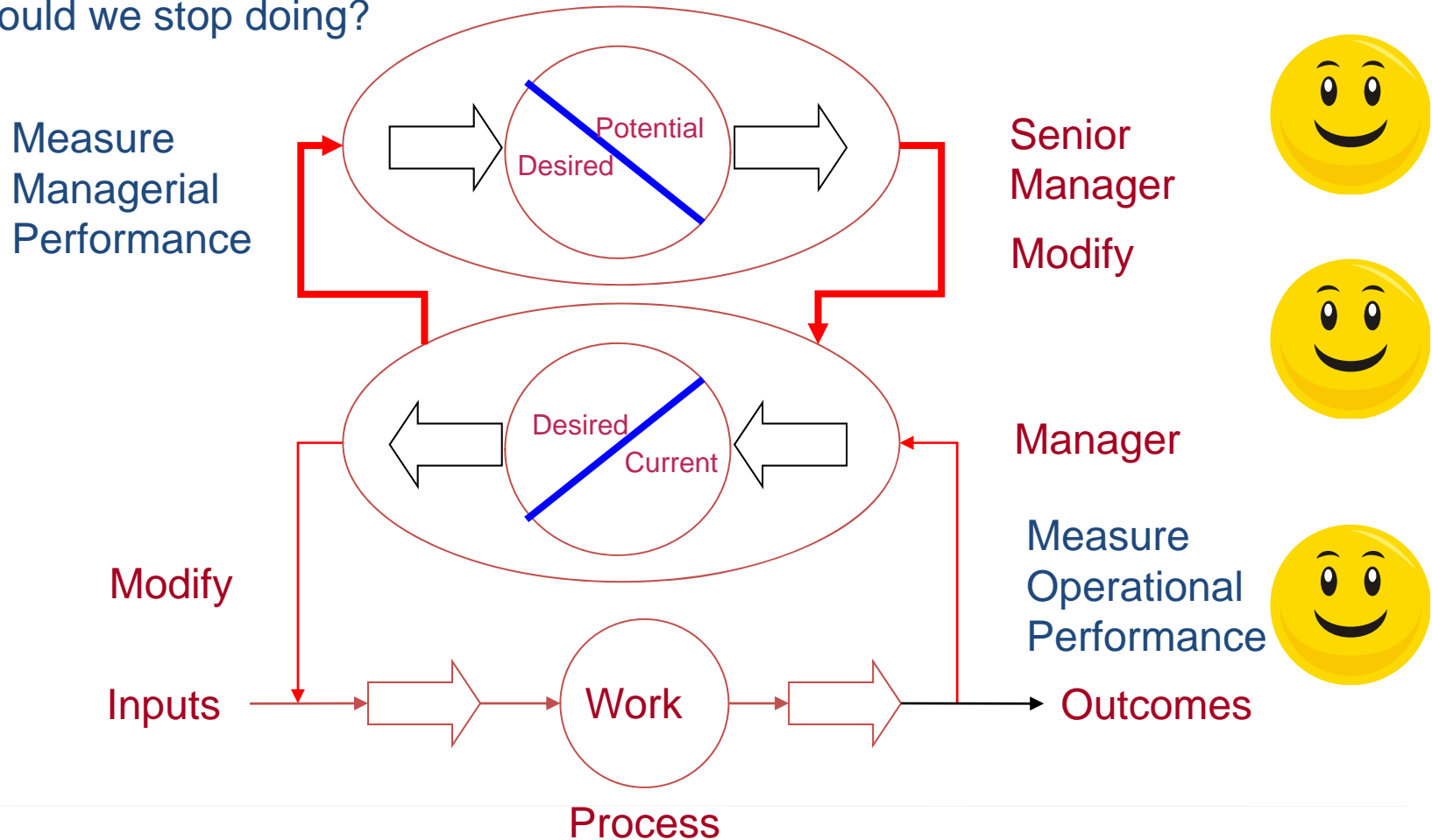


Unconventional Response

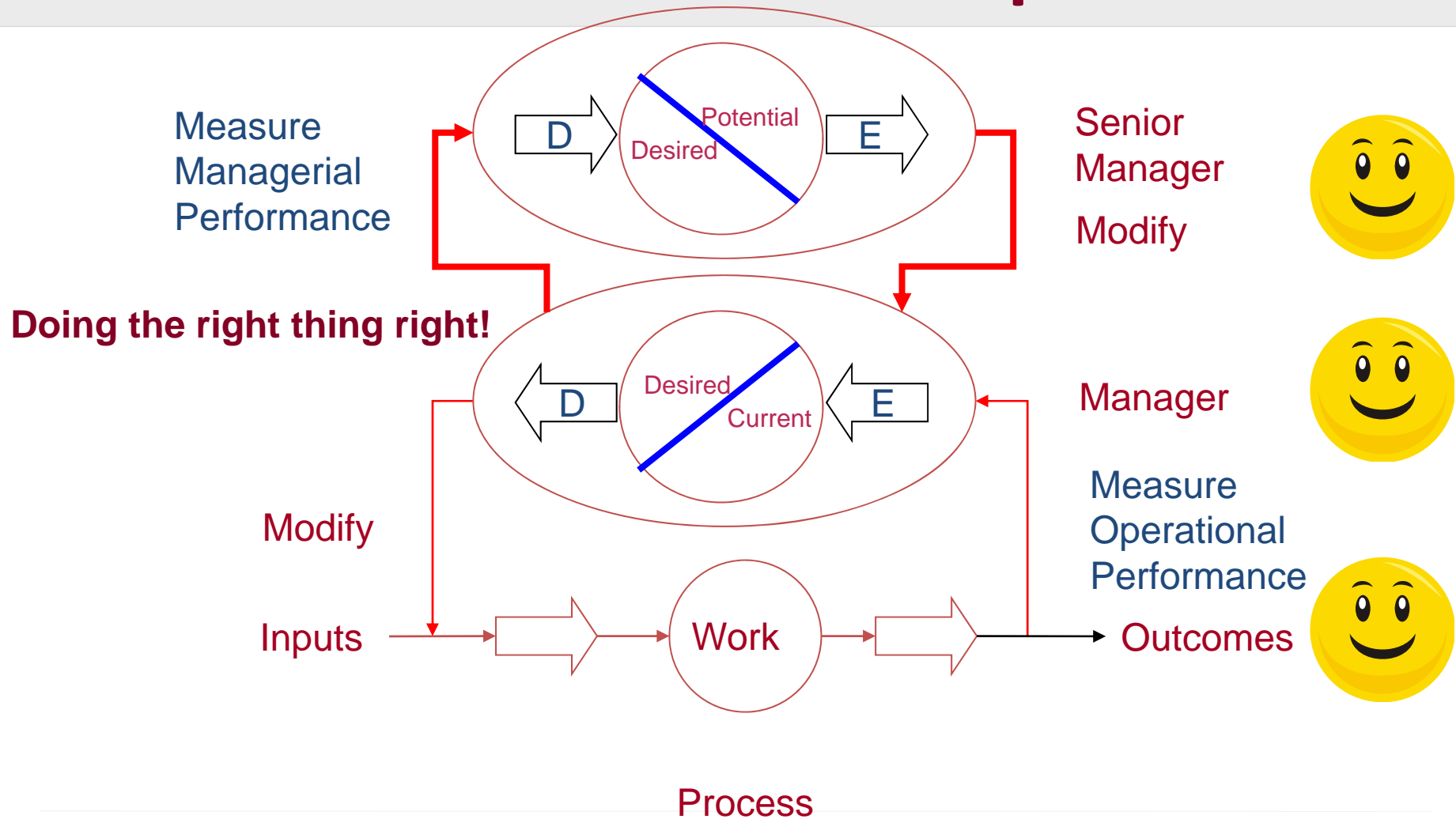


Unconventional Response

Did we do right things?
What else could we do?
What should we stop doing?



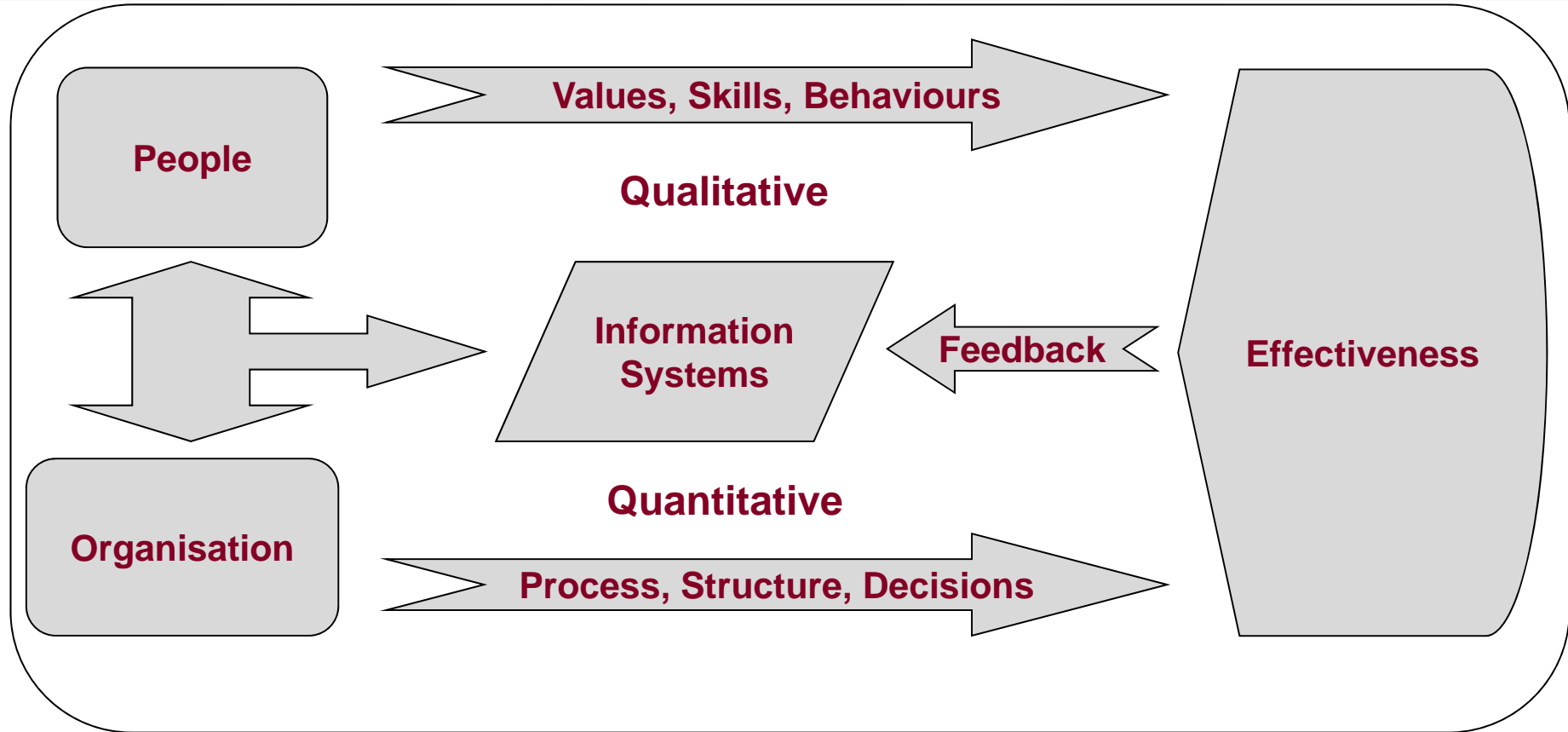
Unconventional Response



Unconventional Response

- Customer Focused
 - Continually adaptive
 - Learning
 - Management is redefined
 - Effective – it meets the customer needs
 - Efficient – it continuously improves productivity
-

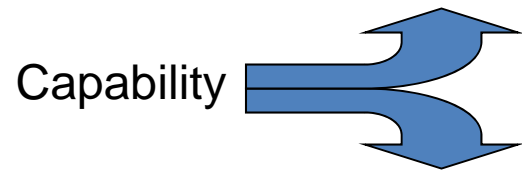
Unconventional Organisation

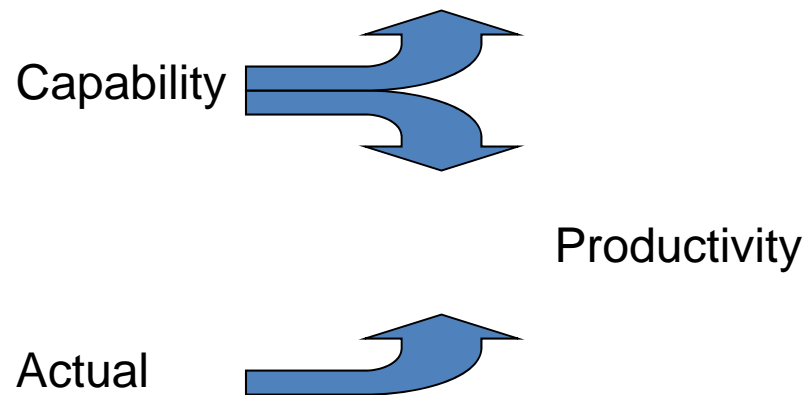


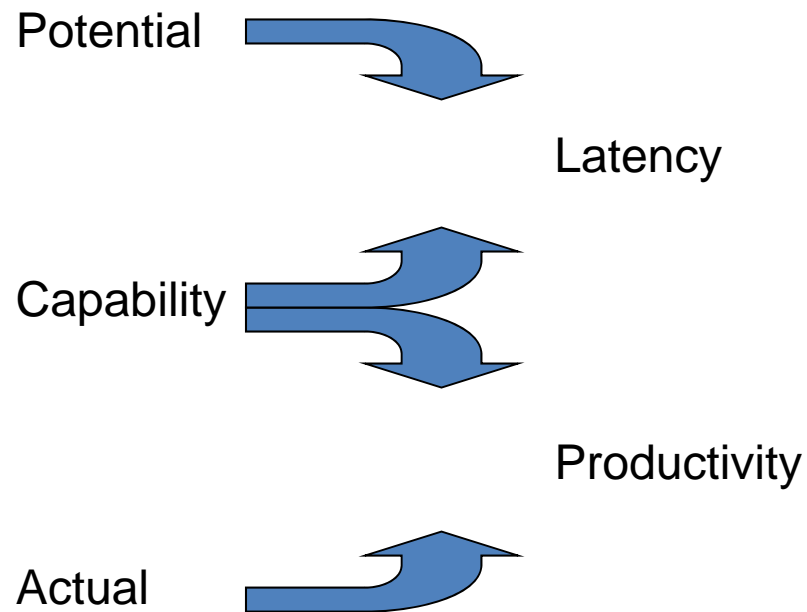


The Potentiometer

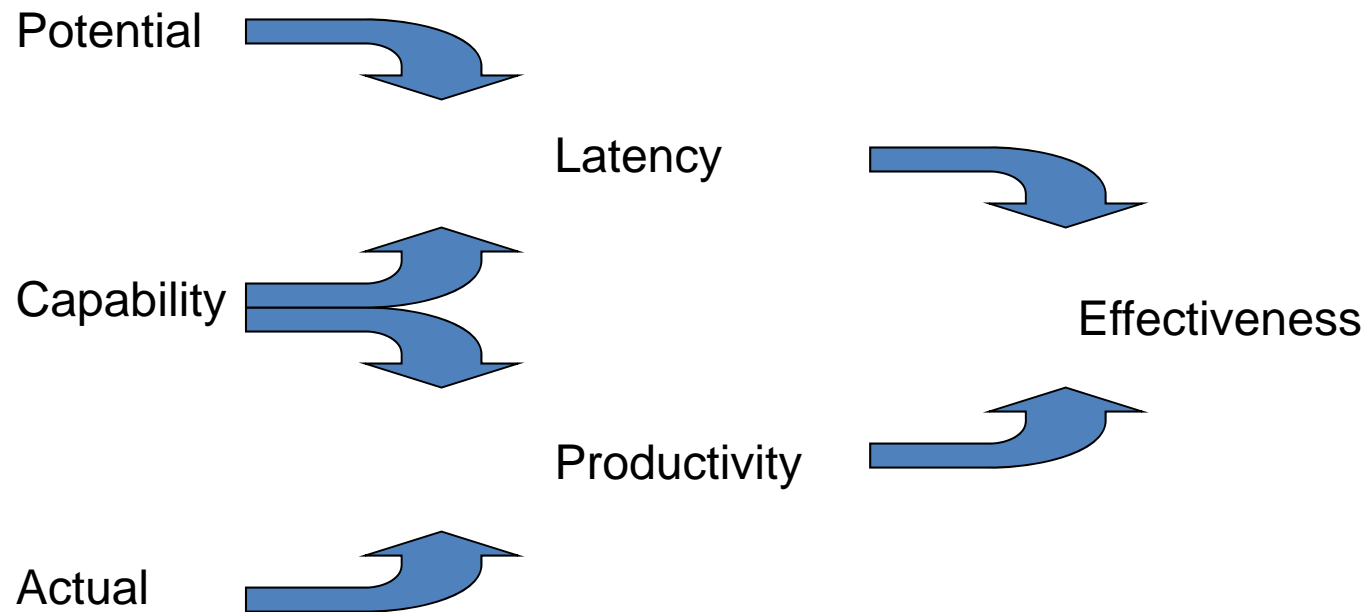
A device for measuring performance



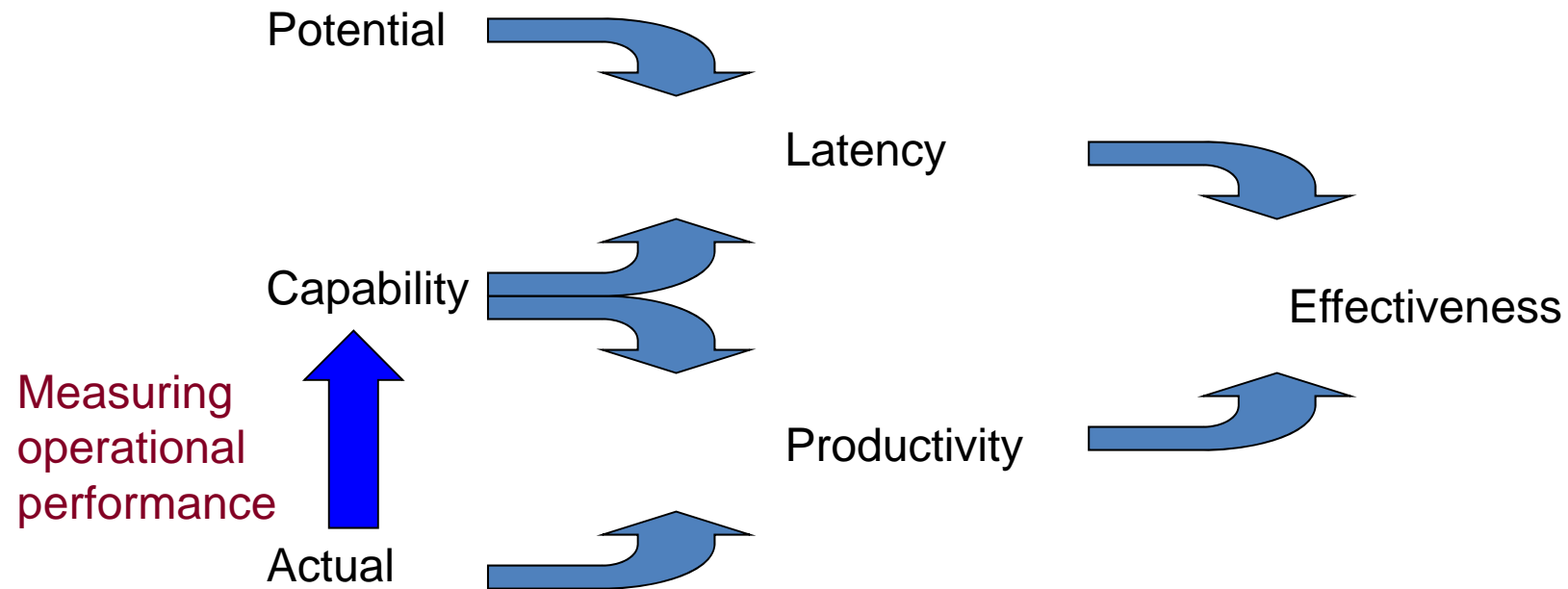




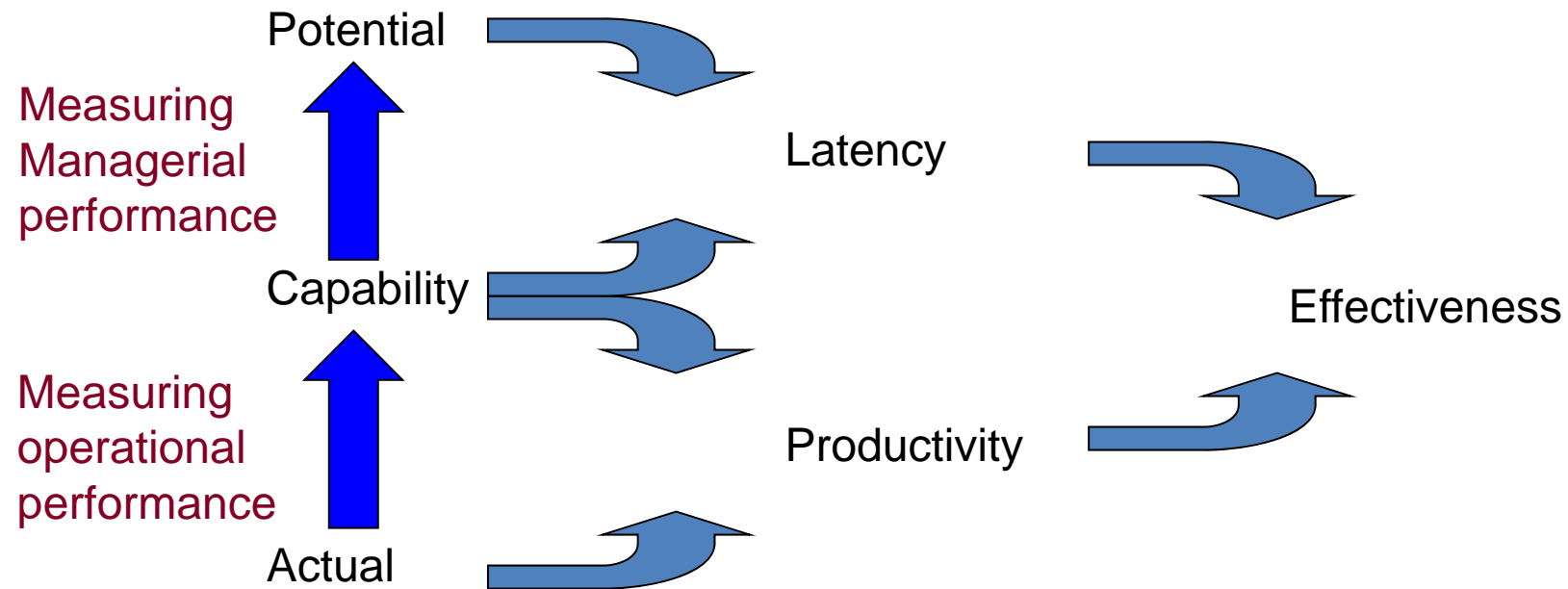
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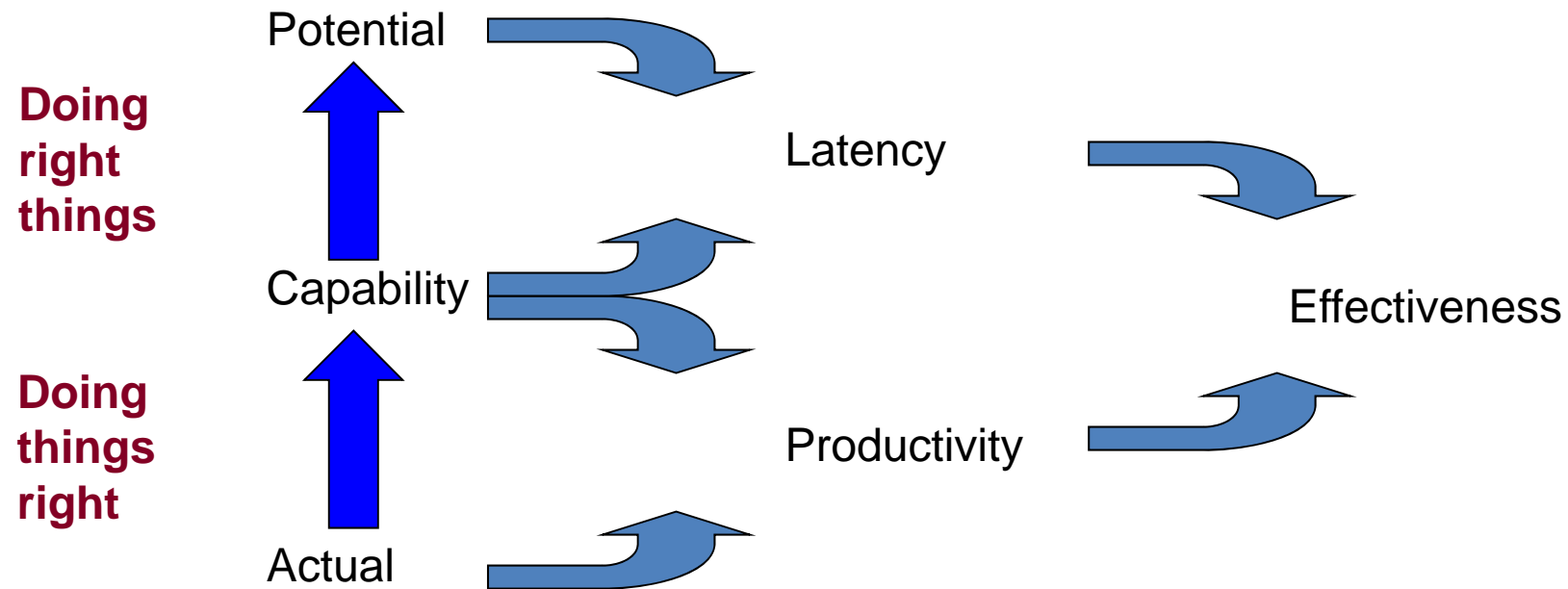
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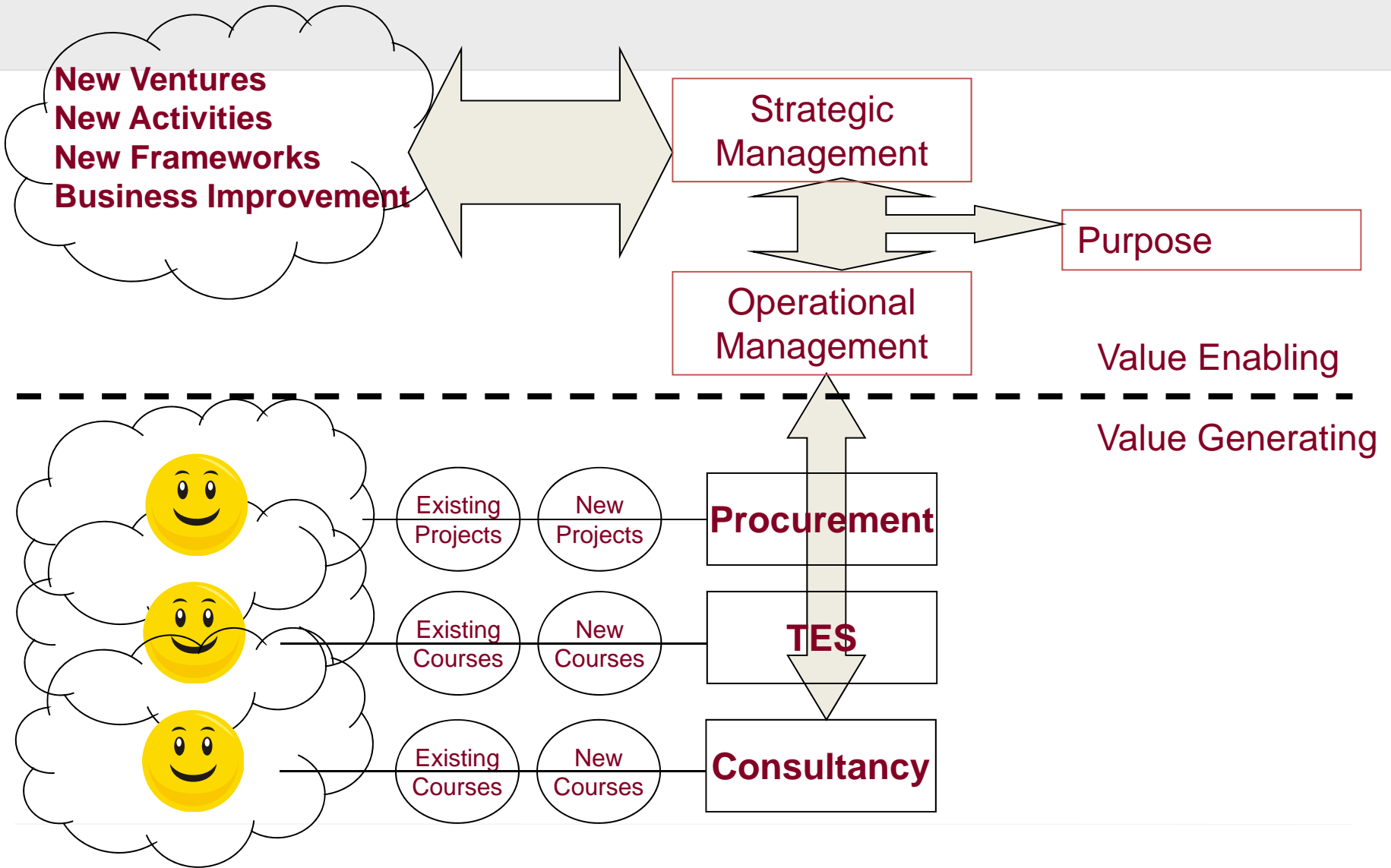


The Potentiometer




The Potentiometer





Unconventional Response

- Benefits
 - Customer comes first 
 - Resources committed to service
 - What is left after meeting customer needs can be used to run the business!
 - 20% to 25% reduction in bureaucracy costs
 - Consumption led NOT production
 - Minimises waste
- Deliver the service AND manage austerity!

Unconventional Response

- NHS Plymouth
 - had high mortality amongst stroke patients
 - one of worst in country
 - overspending

Unconventional Response

- NHS Plymouth
 - had high mortality amongst stroke patients
 - one of worst in country
 - overspending
- Design for success
 - Patient focused service, improved response times
 - Costs halved, death rates slashed
 - NOT a lack of resources but ineffective use
- Demand not supply led

Unconventional Response

- Logistics
 - 25% budget saving, 30% productivity improvement
- Train Operator
 - 50% reduction in Senior Management
- Banking
 - 30% reduction in managerial overhead
 - 20% profit increase in 1st year
- Social Housing
 - 15% all levels headcount reduction
 - £1m increase in surplus

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