



The Local Government Challenge – productivity and the “cuts versus services” dilemma

A MANAGEMENT REPORT FROM KNOX D'ARCY

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About our methodology

For over 20 years Knox D'Arcy has been helping organisations improve through the design and implementation of large-scale change programmes focussed on productivity improvement.

Our methodology involves upgrading an organisation's capability, particularly at junior and middle management level. The improvement is achieved through a combination of designing, developing and upgrading systems, processes and structures, together with tailored management and supervisory training. Together, this produces the step-change in performance required to generate significant improvements.

This report is based on data compiled on over 350 such assignments.

First hand observations

As part and parcel of our work we monitor managers and supervisors as they go about their daily job – taking minute-by-minute notes of their activity and behaviour, which is then categorised and analysed. Importantly, the utilisation of their staff is also measured to determine the linkage between the managerial behaviours and the performance of the area.

This report is based on the analysis of 376 individuals (including 36 from council officers) providing detailed “fly on the wall” data of how time is actually being spent and the impact.

This report has been written specifically with local government in mind and has been additionally informed by our work across other sectors and comparisons made to contextualise the results.

POQ analysis

In addition to observational analysis, we also question managers to gain their views on key aspects of their work. One of the quantitative tools we use is the POQ (Performance Orientation Questionnaire) to determine the perceptions and thoughts of an organisation's management by asking specific questions regarding management style, communications, resistance to change, the effectiveness of management control systems and a number of other criteria. Questionnaires completed by 1,855 managers (including 173 from local councils) have been analysed for this report.

All trend lines are three year rolling averages

Introduction from Paul Weekes

Local government faces an unprecedented challenge in coping with a severely reduced grant whilst juggling an increasing cost base with mounting pressure for services.



Paul Weekes

Political and public pressure means that the requirement is to cut costs in a way which maintains as many frontline services as possible, and this will stretch the capabilities of even the most experienced council managers. It will not be enough to simply put a pen through budget items - a fundamental overhaul in the culture and productivity of local government will be required.

Over the past 24 years Knox D'Arcy has worked extensively across all sectors in the UK and overseas, helping organisations achieve dramatic improvements in profitability and performance. This report makes available for the first time some of our research, based on detailed minute-by-minute monitoring of managers throughout their day, measuring the resultant impact on workplace performance, together with numerous interviews and attitude surveys.

On the one hand, our report has a very positive message: there is considerable scope within the public sector for dramatic increases in productivity - allowing significant spending and headcount reductions without necessarily reducing frontline services. It may also surprise some that local government managers are, on average, only slightly less effective than their private sector counterparts, although their staff productivity levels are much lower, for reasons we will discuss later.

The key to unlocking this potential rests in refocusing management styles towards a far more 'active' profile - a theme to which we shall return. However, some of the required changes will run counter to the prevailing culture of many authorities and the sector generally. In fact, regrettably, our findings raise major concerns about the ability of management to deliver these improvements at all, as they hinge on radical cultural change taking place at all levels.

Few officers will have had firsthand experience of managing in such a demanding environment and this will increase the likelihood that cuts will be administered with a broad-brush, using simple mathematic percentages and without staff buy-in. In fact, I would not be surprised if many authorities either fail to deliver the required improvements or create service chaos as well-intentioned change programmes go off the rails.

In summary, the country's financial problems actually present a tremendous 'once in a generation' opportunity to overhaul the performance of local government. There is no place for defensiveness from within the sector and nor should this report be seen as an attack on public sector workers. Far from it; this report seeks to alert senior officers and councillors of the need to look beyond the financial imperatives and to ensure that the coming cuts are accompanied by the essential culture change.

Yours faithfully,

Paul Weekes

Principal Consultant
Knox D'Arcy

The importance of managers managing

The last two decades have given private and public sector organisations a myriad of management guidance and thinking. From best-selling books and the rise of MBA courses, to cults following various management gurus, there's been no shortage of apparent help.

However, our experience is that, amongst this crowd, the vital importance of what we call 'active management' seems to have been lost. We use the concept to describe the sort of management behaviour which is focussed on the practical optimisation of people and results. Effective and efficient managers are the cogs which move the corporate machine - not computers, networks and processes. If managers are ineffective then, not surprisingly, there is waste, errors and inertia in the departments affected and indeed across the whole organisation if the problem is widespread.

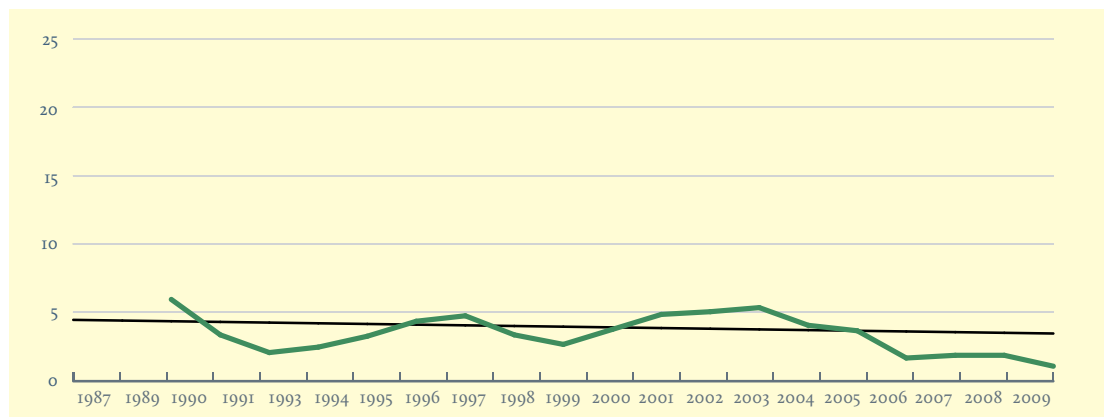
There are no secrets to the basic requirements of being an effective manager, although people are rarely promoted based on their ability to meet these requirements. It is still true that the best operator, clerk or technician tends to become the supervisor, regardless of their ability to actually manage other people. As a result, managers continue to find it difficult to put the necessary behaviours into practice.

These behaviours include prioritising what needs to be done using objective metrics; quantifying how much work this involves; assigning it to the right individual for the task; making them fully aware of the expectations on them in terms of delivery; and checking periodically that they are on course and have everything they need to complete their task, addressing off-schedule conditions as they go. This may all sound pretty straight-forward and even too obvious, yet the analysis shows incredibly low levels of this approach being taken, particularly by junior management.

When we do see this in our observations we class it as 'active management' as the manager is deliberately setting objectives and ensuring their employees meet them.

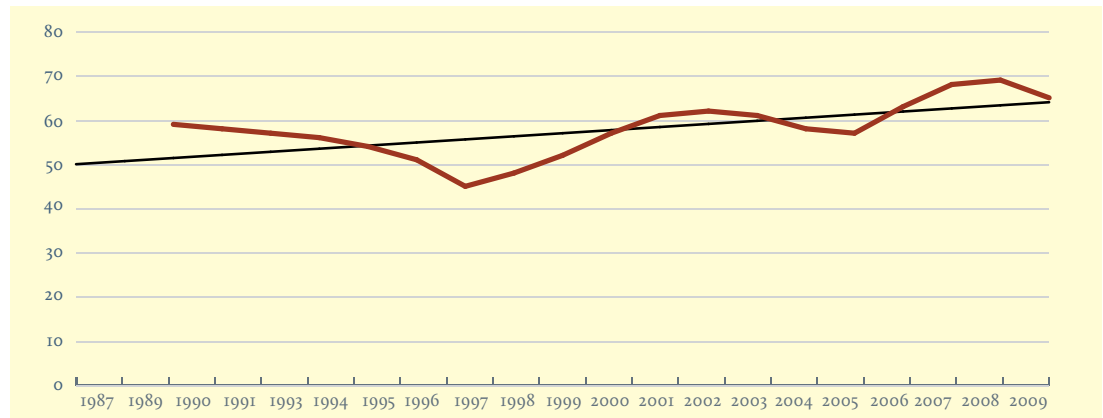
Anyone sceptical as to the value of this way of managing should examine the data below. It is interesting to compare the trended levels of active management taken from our analyses stretching back to 1987 across all sectors, with the data on staff utilisation levels over the same periods.

Management Behaviour Trends: Average Levels of Active Management



Whilst average levels of active management have seen a decline, for reasons which will be discussed later on, levels of staff lost time have been increasing.

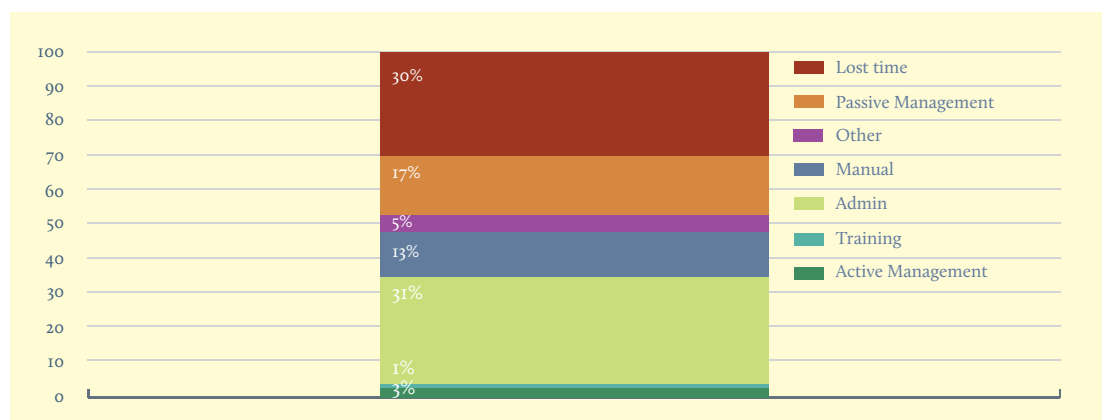
Average levels of staff lost time 1987 - 2009; All sectors



So, just how active do managers need to be? We answer this by posing the question “how quickly can things go wrong?” To give a simple example, if you are a supervisor of a bottling line with thousands of units passing through every hour, it will not take long for things to go critically off-schedule and so vigorous supervision is required; patrolling the line, making regular quality checks at key points, and measuring the speed of the line on an almost constant basis.

By contrast, in a local authority planning department where applications progress over many weeks, two measures would be needed; one focussed on ensuring that the overall lead time for the application is as compressed as possible and monitored against milestones accordingly. But whether the application is processed by the deadline or not is only half the story. There also needs to be a measure related to every employee interaction within the process. These interactions may be an hour or two at a time and many days apart from one another, but each one needs to be monitored against a standard in order to drive staff utilisation levels.

Actual observed management behavioural profile; Local Government



We repeatedly find that high levels of active management in a department invariably correspond with those that have low staff numbers and costs, and high productivity. Successful active management is not rocket science yet we find it in scarce supply, despite its huge impact on productivity.

From our first-hand observations, the chart above reveals that on average, local government managers and supervisors spend just 3 per cent of their day on active management. Perhaps the most pertinent statistic in this entire report.

The impact of this sort of profile is at the heart of this research and provides the key to how local government can meet the challenges that lie ahead.

Passive management, at 17% was seen to be much the preferred style. We witness much 'passive' management during our engagements with clients – such activities include “walking the floor” but only getting involved in social chit-chat or enquiring into progress in a superficial manner; or assigning work to a group of people, rather than to specific individuals, and without giving a time expectation. This approach makes addressing poor performance almost impossible as what constitutes 'poor' has not even been established.

This style of management is characterised by the belief that people are fine to be left to “get on with it” with limited interaction unless requested, and little effort made to see how the task is progressing or whether additional assistance will be required, and this was certainly true of the local government managers analysed.

The response of many managers when confronted with the small amount of time they actually spend actively managing is to suggest that there is no need to manage staff any more closely as “they all know what they're doing and will let me know if they need anything”. There are indeed fashionable management books that advocate such approaches – and in certain very sophisticated environments a degree of this 'self-managed team' style may be appropriate.

However, it is our experience that a prevalence of passive management leads inevitably to low levels of productivity as individuals soon set their own expectations of what is acceptable and when they discover that there is no feedback, whether they are working hard or not, then performance tends to sink to the lowest common denominator.

The key point is that even good people need to be well managed and being actively managed should not be viewed as a negative comment on their ability.

It is quite clear from both our experience and research that most managers demonstrate a preference for a passive management style and the balance between passive and active management is completely misaligned. This is a key factor in the low levels of productivity highlighted in this report.

Often seen indicators of a passive management culture within an organisation are managers avoiding confrontation in the hope that the employee will correct his own behaviour – “I'll speak to him if he does it again”; preferring subjective measures rather than objective metrics to assess performance; using deadlines to manage rather than time standards based on the actual workload; evaluating everyone as 'high performers' even though this is statistically impossible; using pay awards to try and generate performance improvements; and, when something confrontational needs to be said, doing it via emails.

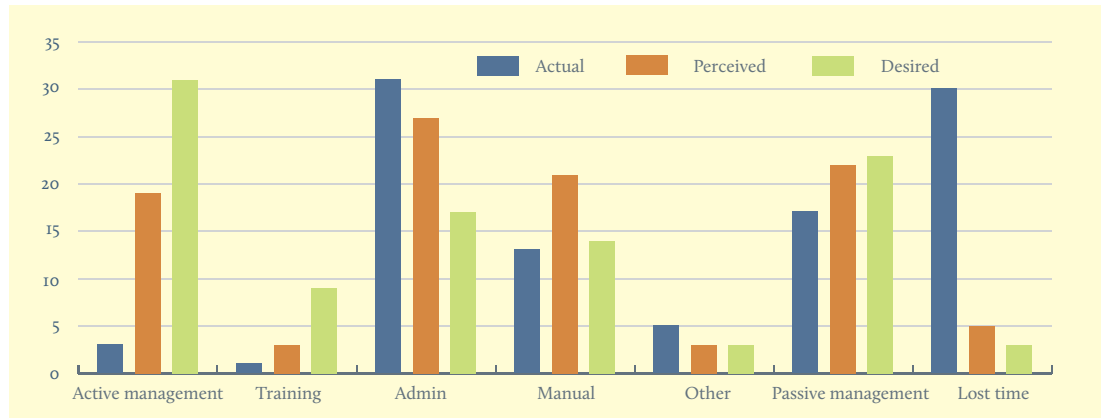
Sadly, our observations in public sector organisations (and many private businesses too) indicate that passive management is the prevalent management style for most of the UK's managers and is one of the reasons why we lag behind other advanced countries in the productivity tables.

The perception gap

While the research shows that most local government managers and supervisors typically spend a tiny per centage (3 per cent) of each day actively managing the people who work for them, Knox D'Arcy's analysis also reveals a remarkable difference between this and the time managers think they spend.

Local government managers and supervisors typically think they spend 19 per cent of their time managing actively, a clear and very large perception gap as the chart below shows; which compares the actual observed profile with the management's own perception of how they spend their time, and finally their ideal day.

Actual, perceived and desired profiles



Implicit in this finding is that most managers believe themselves to be far more effective than they actually are, estimating that they spend around 90 minutes per day managing their people to optimise results when in fact they typically spend less than 15 minutes per day on this.

The clearest reason for managers over-rating themselves in this way is their lack of understanding of what constitutes good management - typically through a lack of good role models and suitable training. It's the difference between understanding a blank concept and understanding its practical application in the workplace.

To use a straightforward example, if staff members are gathered, conversing socially around a water cooler, after five or ten minutes it would be reasonable to ask them what they are doing and to prompt them to return to work. However, many managers insist they are uncomfortable doing this in case it's seen as petty or Draconian. Staff then interpret the failure to act as managerial acceptance and so such incidents will continue in length and frequency.

Who doesn't waste 10 minutes per day in this way? Yet if you add up the man-time wasted in this simplistic example and multiply it by, for example, the 20,000 employees of a county council then that is roughly 0.75 million hours lost to that organisation in a year, or the equivalent of over 400 people, and the true amounts of lost time far exceed the relatively harmless 10 minutes described here.

In another less obvious example, a task which should take three hours is regularly taking five hours because incorrect or missing data is being provided by another department, creating rework. This will not show itself as being idle. On the contrary the staff will appear very busy and may even be working overtime in order to get the job finished, but there is still two hours, or 40 per cent, of lost time in this process. Only by being close to the detail and having system measures in place which identify these sorts of variances to a standard can a manager even become aware of the problem.

While managers can study, attend seminars and read books on management theory, this rarely generates the changes in behaviour needed. Nor does it deal with the biggest reason that managers do not leave their desks and address such forms of lost time - fear.

Mentoring of skills in the workplace, where managers are coached through these kind of scenarios as and when they actually happen, whilst time consuming, has a much greater effect and is a hall-mark of Knox D'Arcy's project work.

Can a culture of active management be created?

An organisation with an embedded culture of passive management has to undergo a significant and structured change process to deliver more appropriate management styles. This sort of culture change cannot happen overnight. Existing managers may well be ingrained in "the council way of doing things", and indeed many will

see nothing wrong in the sort of passive approach we have described. New additions to the management ranks tend to quickly absorb these traits and are tainted by toxic cultures, tired methods and ineffective practices.

An active management style is clearly a more difficult way to manage because it requires the clear establishment of performance expectations and boundaries, the confrontation of underperformance, the identification and elimination of unproductive activity and the objective reporting of performance and productivity to drive decision-making.

While a lot of managers find this uncomfortable at first, as the final set of bars on the *Actual, Perceived and Desired* profiles chart on page 5 shows, when asked, managers typically do want to spend much more time in active management (31%), recognising that it is a good thing and aspiring to spend roughly a third of their day in this sort of activity. The question then arises as to why the actual time spent is so pitifully low.

The key is that for them to successfully adopt this style, the culture change must be supported throughout the organisation and be driven from the very top. Without this support most managers will wilt under the pressure and employees will point out that other departments are less demanding and that they are therefore being treated unfairly.

Willingness to change then is not enough, which is why an intervention from a third party is often necessary to provide the change in management behaviour. Over time and with the commitment of the council's leader and chief executive, this change in collective behaviour brings about a long-term change in the very culture of the organisation. Corporate culture is, after all, the result of the collective behaviour of managers and who holds sway.

This is why such change programmes must be highly structured, coordinated and given sufficient momentum to push through the inevitable pain barrier that any significant change brings with it.

Case Study – Royal Mint

Knox D'Arcy carried out a change programme for the Royal Mint in 2006 and 2007 which led to this public sector organisation recording its best financial results for almost a decade. At the heart of the programme - designed to take it from a loss-making position to profitability - was transforming the management and supervision to become much more effective.

Prior to the implementation phase, a Knox D'Arcy Preliminary Survey identified active management levels at the Royal Mint to be at around the public sector average of approximately 3 per cent.

The programme was split into 3 modules: sales, productivity and procurement. As part of a 12-month holistic performance improvement programme, involving every element of the organisation, a comprehensive training programme was carried out with all levels of the management structure to achieve changes in management behaviour. This programme was bespoke to the particular issues at the Mint and was supported by intensive one-on-one coaching in the work place to ensure the concepts were carried through to a practical conclusion.

Following the implementation of the new behaviours, active management levels were measured in the 15-20 per cent bracket, reflecting a change from just 14 minutes of active management to up to 96 minutes per day, or an average of 12 minutes every hour. This step change in behaviour, focussing management on planning performance; identifying variances early; enhancing accountability; dealing with problems and measuring the impact through new and upgraded management control systems; delivered the transformation required.

The subsequent financial results for the year of implementation showed the Royal Mint's operating profit before exceptional items rising to £8.7 million - its highest level for nine years. Retained profit for the year was £1.2 million compared to a loss of £1.6 million in 2005-06, and this result was achieved after £6.4 million of charges for exceptional items, which related to the implementation of the business improvement programme.

Commenting on the turnaround of the Royal Mint, then Financial Secretary to the Treasury, John Healey MP said: "This report records the impressive turn around in performance that the Royal Mint has delivered over the past two years. In particular I welcome that the Royal Mint has not just met, but exceeded, the financial target I set. These achievements demonstrate the Royal Mint's positive response to the challenges it has faced, and are a testament to the dedication and effort of the Royal Mint's staff and management team."

Beware the false idols of modern management

It is human nature and indeed good management practice, to seek new ideas and philosophies that may better help us reach our targets and improve us in our roles.

We have already mentioned that in recent years there has been no lack of help provided by various fads and gurus as the insatiable search for a silver bullet has burgeoned.

For instance, by the end of the 1990s around two-thirds of Fortune 500 companies were using the much-celebrated Six Sigma approach to management, which originated at Motorola in the 1980s. Honeywell and General Electric also became high-profile success stories for Six Sigma, and arising from this flag-bearer can be attributed the rise of “lean management”, “total quality management” and other widespread initiatives as well as the influence of management gurus such as Tom Peters and hero-managers such as Jack Welch.

Blockbusting textbooks which promised to provide a shining path to business success have become a phenomena within the past 20 years, as typified by Charles Handy’s “The Empty Coat” and Stephen Covey’s “The Seven Habits of Highly Successful People” – 15 million copies sold so far and counting.

As well as seeking to absorb these ideas, the public sector has additionally laboured under the weight of a myriad of centrally imposed targets, a fashion for outsourcing and a hugely expensive and time-consuming internal benchmarking process (Comprehensive Performance Assessment).

However, despite the reams of advice, reports, conferences and away-days, our consistent finding has been that very little has changed on the ground in terms of the management behaviours that really count. The problem is often one of two things: either the approach being implemented is simply far too evolved for the organisation to absorb and it fails; or the approach is fine but the implementation skills are lacking. The best idea in the world is rendered useless by an organisation incapable of implementation.

Perhaps we like to complicate things in an attempt to justify our salaries and titles but the effective management traits that we have analysed and discuss in this report, revolve around themes which good managers from almost any age would recognise, and have been developed to account for the typical failings of human beings – a theme which the next section examines.

Great technology – shame about the humans

Another panacea organisations repeatedly reach for in the search for increased productivity is the installation of new IT.

The public sector certainly has had many high-profile IT initiatives that have failed to deliver, often with disastrous and expensive results. In the private sector too IT investments frequently, but with less publicity, fail to deliver the expected benefits despite great investments in time and money.

Often the major issue with new IT is that the human element is just ignored. Even a great piece of technology, if it is installed without addressing the issues of a passive culture, is a little bit like putting an ordinary driver into a Formula One car and expecting him to compete with Lewis Hamilton.

In fact new IT demands changes, often fundamental, to behaviours and processes if the system is to be utilised in a way that delivers the promised improvements. Staff tasked with chasing lapsed leisure centre memberships may have the information which allows them to ‘piggy-back’ a sales pitch regarding the upcoming theatre programme, or other revenue raising opportunities; but only with skills training, systems which target such calls, a review mechanism and adequate management controls will it ever actually happen.

One major international systems provider informed Knox D'Arcy that its products are, on average, only 20 per cent utilised by its clients because they do not invest in the necessary training to make the most of their expensive new IT systems. It is not surprising that the most common complaint we hear from clients regarding their IT installation is that the pay-back was not achieved.

The other caveat for leaders in the sector to take note of is the increasing number of councils seeking to “spend to save.” In other words making the delivery of savings dependent on significant capital expenditure, typically IT related. Again our experience in all sectors, is that spending is the easy part and saving the hard part.

Our analysis points to why officers may believe that this is necessary. In our POQ survey, 93 per cent of the council managers surveyed stated that performance in their area was either average or better; this can be interpreted as meaning ‘acceptable’ and typically translates into a belief that significant change is therefore unwarranted. In fact 72 per cent thought their departments were either ‘high’ or ‘very high’ performers, perhaps influenced by the results of their CPA (referred to earlier). This finding is discussed in more detail later but, clearly, this mindset will create a sense that only minor tweaks in performance are possible: at least not without a major external intervention.

Our analysis shows that this perception is quite simply incorrect with lost time levels averaging two thirds of the working day amongst the council staff analysed. We often hear from organisations who have 50 per cent lost time that they need more people.

One of the reactions from a management team, which believes that performance is already very good, is that the only way to improve is to invest in IT which promises to speed up processes and reduce effort.

There are two points here: firstly, in our experience decisions on new IT should only come after a change programme, not before. This ensures that processes and outputs have already been optimised before the organisation attempts to buy further improvements through capital expenditure, some of which may not even be necessary once the existing inefficiencies have been driven out and performance optimised.

Secondly, IT will not change a culture. If used judiciously it can help, but it will not drive improvements of the level required by the public sector, in isolation. Culture change and the development of a more active management style still lie at the heart of the issue for local government.

Email – time well spent?

There is no doubt that email has been the most dramatic advancement in the way people communicate, both on a personal and business level, since the invention of the telephone. Many organisations nowadays would simply not be able to exist without this method of instant communication – yet only 15 years ago it was still in its infancy with letters, faxes and printed memos the norm.

However, the inherent benefits of email - ease of use, speed and proliferation - have also caused it to become an increasing problem for all employees in terms of time wastage.

For officer workers, an increasing element of the category we refer to as ‘administration’ in our analyses is being absorbed by emails. Many emails received by managers and staff do nothing to assist them in their jobs, while dealing with them (even just to scan and then delete them) involves considerable time due to the large numbers. Many people, and indeed whole organisations, have automaton email cultures in which emails are processed ahead of all other tasks – with priorities set by the Inbox rather than the needs of the organisation.

Research¹ has shown that it takes an average of 64 seconds to recover your train of thought after interruption by email, with the average worker wasting one hour every day through dealing with non value-adding email.

One manager in a finance-related function, recently analysed as part of a Knox D'Arcy programme, was found to be spending up to 40 per cent of his day receiving, sifting, processing, composing, deleting and replying to emails. When the manager's staff productivity was analysed they were found to be just 45 per cent utilised (ie they did not do anything productive for over half of their day). He was not aware of this: partly because he did not have the systems to tell him; but, on a more basic level, because he spent so much time with his head buried in emails he simply could not see the problem.

¹Source: Dr Thomas Jackson, Loughborough University

In 2003, former Phones4U CEO John Caudwell became so exasperated by the dent to productivity caused by emails that he banned all of his 2,500 plus staff from using them. He estimated this move saved the company £1 million a month, while giving his staff an extra three hours a day to deal with customers and colleagues.

One of the more worrying trends we have noticed is the number of managers who have taken to 'managing' via email. In fact for some it has become their chosen method of communicating, even for such critical areas as imparting bad news or addressing poor performance.

While email is a very efficient way of communicating facts such as dates, results and agendas, it is not an appropriate method for management or indeed most interactions that require two-way communication. Not only is it a lot slower than simply picking up the phone or walking along the corridor to speak, but with email you cannot check that the person has received the information, his or her degree of understanding, their reaction, nor whether they will act upon it.

An email-dominated culture can also fall prey to a 'buck-passing' culture: here, the mere fact that an email has been sent is believed to absolve the sender of any further responsibility. "Its not my fault that it didn't happen – I sent him an email." There's no follow-up to ensure the email was read, received, and understood – just an audit trail of blame to the recipient, should they not respond in time.

Such emails are a major indicator that junior and middle management, in particular, are not properly managing – although this only tends to come to the attention of top management when something catastrophic occurs. While this sort of thing clearly went on in the days of paper memos, the volume of email makes it both far more common, and also far more likely that the email will be missed or ignored.

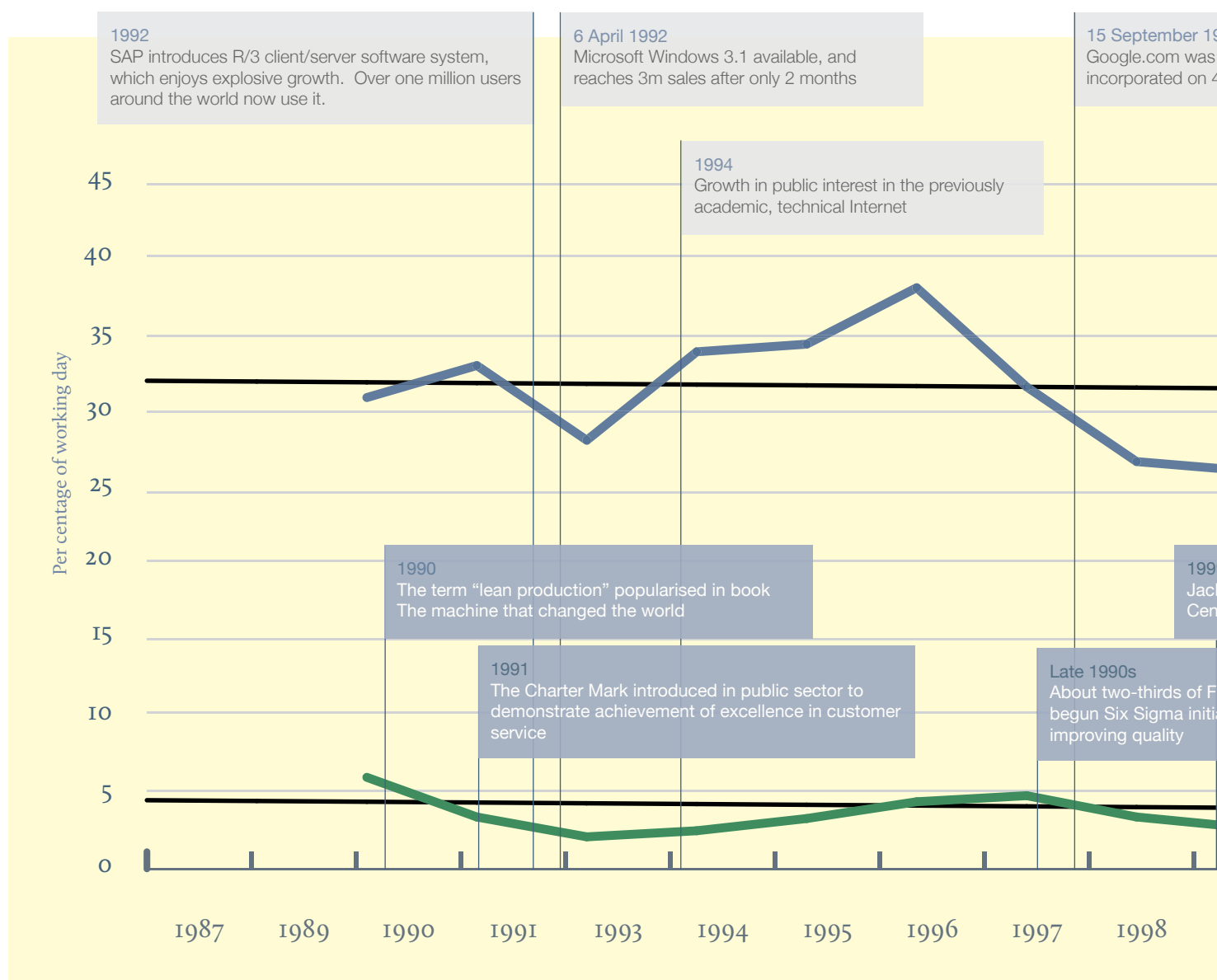
While the kind of drastic action taken by Caudwell may feel excessive, simply having good email practice by council staff and managers would free up large amounts of time. Examples of good practice that most people fail to adhere to include:

- **Managers lead by example.** For important or subtle matters, call rather than email, and meet to brief someone rather than email them.
- **If a matter is time-sensitive always use the phone.**
- **Turn off email programmes.** These constantly bleep and demand your attention when you really should only check and respond to emails two or three times a day. If someone is desperate to get hold of you they will learn to phone, which is the right behaviour for urgent matters anyway!
- **Think of others.** Don't hit the "reply all" button unless essential.
- **Use the title box** to explain the content and save others having to open the email if not relevant.
- **You decide what is important and urgent** and deal accordingly. Regardless of the order in which emails happen to have been sent to you. Important emails deserve time but can be dealt with later, urgent emails need to be responded to immediately, but briefly, and emails which are both important and urgent need to be dealt with right away and given a lot of time - so clear your diary.

A more recent and potentially time wasting extension of the electronic communication revolution has been the emergence of social networking sites such as Facebook and Twitter. Fortunately these sites can be blocked and all large organisations should have a policy on their usage.

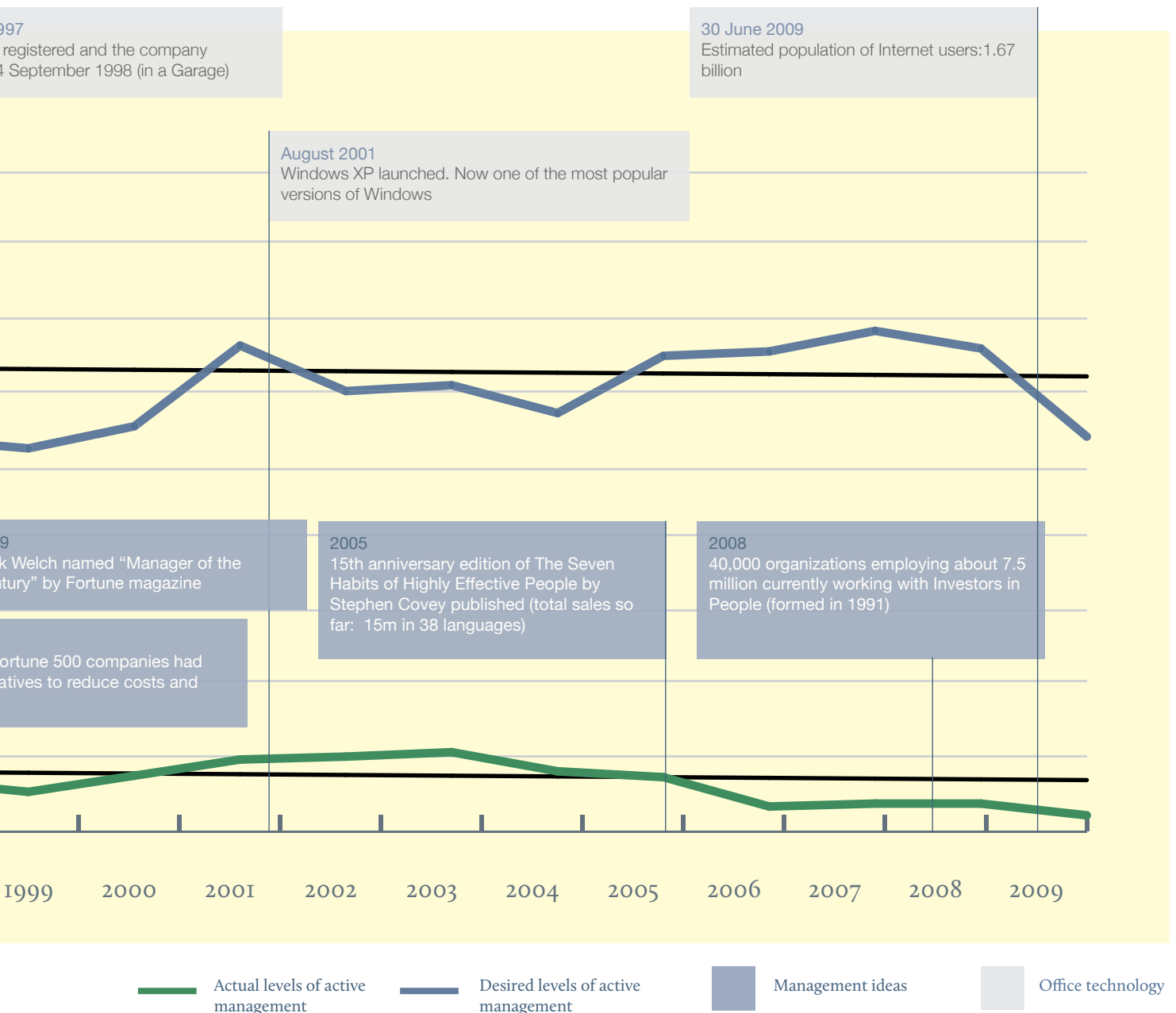
Management behaviour trends

The revolution in office technology since 1987 should have freed up managers from petty administration while giving them the extra time and information to be much more effective.



Similarly, the whole genre of books by management gurus and hero managers has become a multi-billion pound industry. Yet the impact of these over the course of the past 20 years has been negligible on what we find is the single biggest determinant on effective management – the amount of time spent actively managing.

Worryingly the trend for actual levels of active supervision is downwards, and managers’ aspirational or desired profile, whilst remaining consistently higher than the reality, has also experienced a downward trend over the last 20 years, and markedly so in recent years. In short, not only has time and technological sophistication eroded levels of active management, it also seems to have bred the belief that it is less necessary now than before. Nothing could be further from the truth as the chart on page 3 Average levels of staff lost time 1987 - 2009; All sectors demonstrates.



The challenge facing local government management in the era of austerity

The enormity of the challenge facing local government this year, in addition to 2011 and beyond, is well known. While details are still emerging the following is clear:

- Council tax increases will be frozen and the settlement from the Treasury will be reduced hugely;
- Other forms of revenue may also reduce as the economy hardens;
- A likely increase in unemployment will increase the pressure for services;
- Changing demographics such as an aging population will also create a greater demand for social services;
- External costs, such as oil and utilities, are high and likely to increase.

In short, the requirement for a significant reorganisation of local government has never been greater and the change being demanded is massive and quick. The question then facing members, leaders and chief executives of local authorities is: “do we have the capability in-house to deliver this kind of programme?”

A reduction in the payroll seems inevitable and if handled in-house represents a potential conflict of interest as managers may be asked to make themselves and their colleagues redundant. Some would go further and say it is actually unfair to expect someone to work out how to dismantle his department and possibly his own job. Either way it seems a less than optimal approach. Apart from this difficult issue there is also a question mark over the required skills as this report identifies.

Our workplace observations certainly indicate that councils do not currently have the capability within their management to implement the dramatic efficiencies being asked of them.

This is not a slight on the ability of management, but is simply recognition that this kind of restructuring is not something of which many will have had experience. Challenges such as this do not come along every year and this one is probably unprecedented. External assistance is not a sign of weakness it is a sign of maturity in the same way that a complicated legal matter would need to be outsourced.

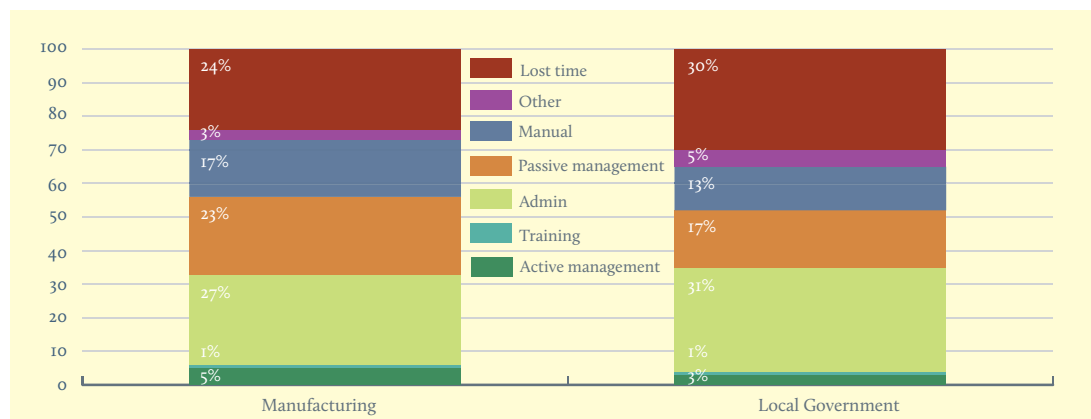
As politicians and senior officers start to look for rapid change from councils in order to deliver the dramatic cuts in costs needed, the key problem is that the management behaviours required are simply not in place.

For instance, earlier in this report we looked at the importance of active management, which is one of the best guides to effective management and high-performing organisations. Yet our analysis shows consistently low levels of active management in local government with a corresponding damaging effect on the results of both individual and their council’s performance.

In local government, for example, the average level of active management (based on the detailed shadowing and minute-by-minute recording of activity of 36 managers for a full day) was just 3 per cent. In other words managers and supervisors were spending less than 15 minutes per day engaged in active management. Analysis of other sectors it has to be said, are not significantly better in this regard, and it is a constant theme throughout the UK that this weakness persists, as has been discussed elsewhere in this report.

Below, by way of example, is a comparison of management profiles between UK manufacturing and local government sectors.

Average management behavioural profile - Comparison manufacturing & local government



Whilst the local government figures are worse both in terms of both personal lost time and active management, in the scheme of things the difference is not huge; and our critiques on this matter apply pretty much equally to both private and public sectors. The active management amounts to 24 minutes per day versus 14 minutes per day, both woefully inadequate.

Interestingly, the key difference between the sectors however, is not in the levels of active management but in the consequent utilisation levels of staff. Local government workers have far lower levels of utilisation than those in the manufacturing sector, or the private sector generally. In short – local government managers are less able to ensure their staff are busy and productive on the important elements of their work.

The impact: where staff time is lost

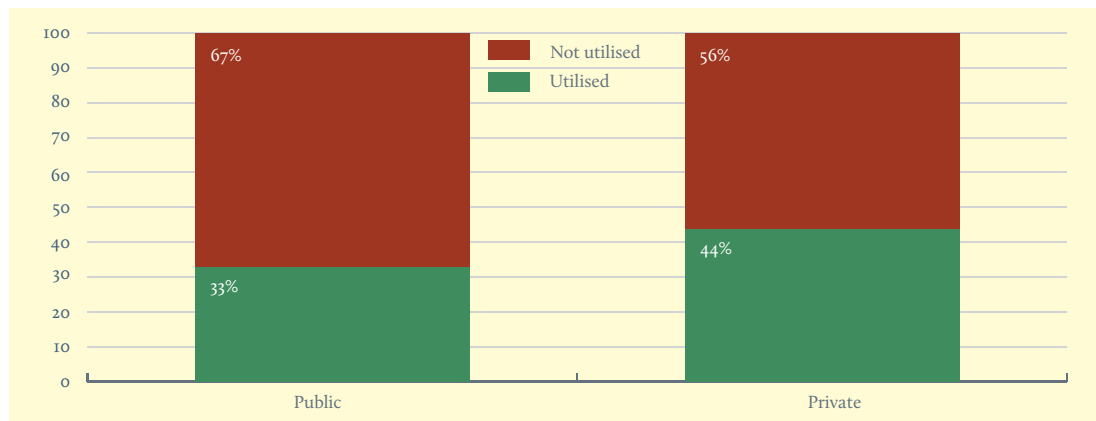
One type of analysis carried out by Knox D'Arcy, to ascertain levels of staff utilisation, is to quantify the “workload” in an area. We use live observations to measure the time actually required to process a given quantity of work - and then compare that with the staff time available. In other words, determine productivity levels and whether the staffing levels are appropriate. This data is consolidated and trended on page 3 in the [Average levels of staff lost time 1987 - 2009; All sectors graph](#).

The difference between the time required to process the workload in an area and the time that is actually available (attended hours) is referred to as ‘lost time’. This splits down into two forms; obvious lost time which can include such things as waiting for work, information or instruction; arriving late; leaving early; social chatting; taking informal breaks and so on. Secondly, hidden lost time, which describes activity which is ineffective; perhaps because it is done incorrectly and has to be reworked, thereby turning a 10 minute job into a 20 minute job.

Our results for all local government staff, including clerical and manual staff, show that when both forms of lost time are combined, an average level of 68 per cent was identified; in other words two thirds of each person’s day was ‘lost’. The comparative analyses across the private sector sample showed average lost time levels of 56 per cent; still poor but illustrating that the private sector operates at utilisation levels which are more than a third higher than the public sector (44 per cent utilisation against 32 per cent respectively).

To put this another way, if councils were to match the private sector companies in our sample, they would in theory be able to operate with 27 per cent fewer people.

Average staff utilisation levels: Private versus Public Sectors



Such comments are often met with disbelief by those in the public sector, who are understandably upset by direct comparison with the private sector. It is true that the two sectors do indeed operate under very different conditions. Even within the public sector there are large differences and, if one takes local government specifically, then even from one authority to another the conditions and demographics make comparisons flawed – (which is the main reason that Knox D’Arcy believes bench-marking is not of significant benefit.)

Local authorities have a statutory duty to provide certain services regardless of the efficacy or cost. However, private sector companies also have constraints: they have to deal with an uncertain customer base which has greater freedom to go elsewhere; they have no guaranteed income; high variability of activity levels (seasonality), prices and revenues throughout the year; and, on the latest analysis, lower average pay and benefits. Yet still the private sector staff are better utilised, despite the quality of the management not being significantly better – so why is this?

Undoubtedly the lack of active management is contributing to both sectors having lower than possible performance levels. However, our analysis indicates the reason that lost time is more pronounced in the public sector is the higher quality of management control systems which tend to be found in the private sector.

Generally our research shows that private sector systems place a greater emphasis on generating individual accountability; identifying variances to plan early; prompt and tighter cost control; and have better and more frequent measurement of outputs against agreed performance standards. This in effect is driving the extra level of utilisation, rather than the quality of management, which remains poor across the board.

We need to be clear here that we are not talking about better IT systems necessarily. We mean ‘systems’ in their broadest sense – those elements which allow an organisation to plan, control, and report performance and other issues – and which may be paper-driven or Excel spreadsheets. The form is less important than their existence and usage.

It is also important to state that such high levels of lost time in local government do not indicate that staff are either lazy or incompetent, and it must be made clear that people’s attitude is not being measured here at all. The analysis shows that those people who come to work determined to do a good job, work hard and do their best, often find a range of hindrances stacked against them.

Often the lost time was seen to be caused by factors which simply prevented people from working in the way that they wished. For instance missing information from either the public or a colleague; unclear objectives and expectations; poorly defined processes; and lack of training all contribute.

However, it is also important to recognise that both council management and staff have a role to play in the creation and acceptance of the high levels of lost time. Those departments with the most lost time were also typically characterised by those with the most passive management; a lack of urgency; and an unwillingness or

inability to impose on themselves commercial disciplines.

It is worth bearing in mind that active management, by its nature, when combined with the right system tools, focuses managers on identifying and driving out all forms of lost time. This leads to a lower cost base and a more effective organisation. Our research over 20 years demonstrates the linkage between low levels of active management and high levels of lost time, thereby identifying both a key cause of the problem and also part of the solution.

Changing management styles in local government is therefore vital to improving performance and also tackling costs.

What are managers doing with their time if not managing?

So, if managers are not actively managing what are they doing? The 14 minutes average that the local government managers in our sample spent on active management each day compares to 1 hour and 22 minutes spent on “passive” management (17 per cent); 2 hours 29 minutes per day on administration (31 per cent) including meetings, and another 2 hours and 20 minutes (30 per cent) which were “lost.”

Interestingly, this 30 per cent of lost time, is significantly less than the average levels analysed for the general staff (68 per cent lost). In other words local government managers, on average, are better utilised than the people they manage. The majority of the rest of the time was spent joining in, doing the work of their staff, in other words ‘hands-on’ work which we categorise as ‘manual work.’

If we focus in on the 2 hours 29 minutes of administration, (defined as attending meetings, dealing with telephone calls, emails and paper work) we see that whilst we have defined all of this as ‘work’ clearly within that there is scope to reduce the amount. Emails have already been mentioned but other large pockets of inefficiency regularly crop up.

How many of us have turned up for a 10am meeting on time, only to sit there waiting for 15 minutes for the other attendees to drift in, and have then spent the next hour saying very little as the conversation seems to be directed at another area of the organisation? By the time the tea cups have been cleared what value has been extracted? It is always worthwhile asking the question “is this the way the tax-payer would want me to be spending my time?”

The hour or so of the day identified as “manual work” is also significant. This does not literally mean heavy lifting, but covers “doing the job of the people they manage” - whether that is filing, processing, or indeed operating a machine. Many junior managers in our research appeared to be more comfortable spending time doing this rather than managing their staff to do the work, and were observed doing this even when their subordinates were clearly under-utilised.

A manager’s time is far better spent ensuring that the 10 or so people he is responsible for perform optimally, rather than rolling his sleeves up and doing the job himself – yet many prefer to do this given half a chance!

In summary, the reason for the low levels of active management cannot be explained away by “we haven’t got the time”. It is a matter of reprioritising behaviours and ensuring that those which drive the most value are done well and regularly, rather than being pushed out in favour of those tasks which simply appear in the diary or are done because they are enjoyed more. Changing how someone spends their day is never comfortable but this will be a crucial step towards developing the more active profiles we have discussed.

Can change, won’t change?

The challenge of changing someone’s behaviour in such a personal and obvious way as we have discussed is huge, and is further exemplified by the results of a questionnaire administered to 173 managers within local government. Certain elements of this questionnaire, the POQ, have been mentioned already and we now turn to a more detailed look at this analysis.

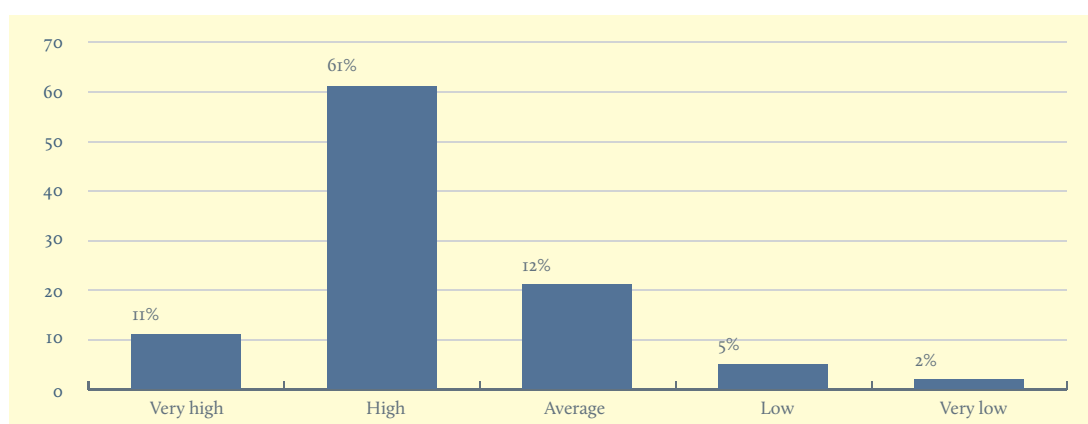
We have already discussed how a manager’s perception of current performance will affect his perception of the

scale of improvement available. The chart below shows the issue clearly.

Almost three quarters of local government managers surveyed believe their area's performance to be either 'high' or 'very high', in fact only 7 per cent thought they were below average. This perception contrasts markedly with the very low staff utilisation figures identified, which imply a more realistic measure of performance.

By comparison, our research shows that the typical response to this question, from a genuinely high performing organisation that has a clear, impartial and objective view of their status, is a classic bell-curve distribution with its centre over the 'average' option. Statistically of course that is what you would expect.

How would you describe results in your area compared to what you think they could be?



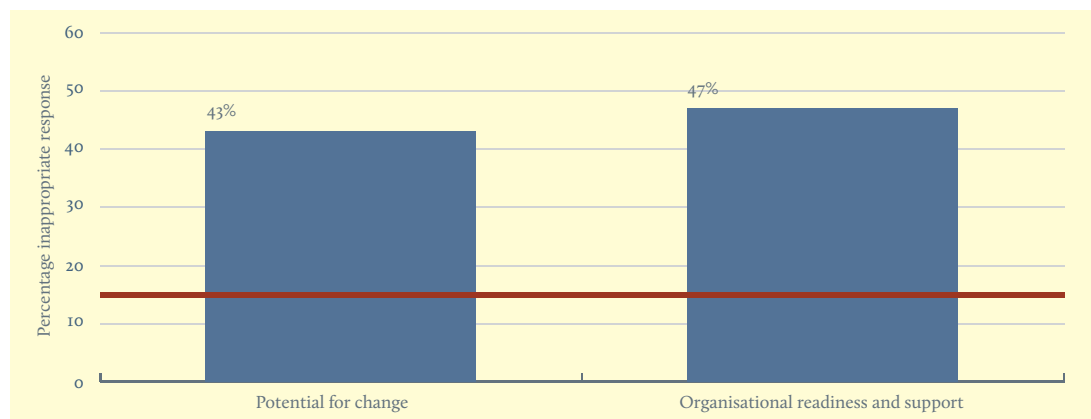
How do you get managers, who believe their performance to be so good, to accept that significant improvement is still available?

More light is shed on the potential barriers to change within local government by analysis of two other sections of the questionnaire.

The chart below, [Barriers to change](#), examines two particular sub scales from the POQ. The first bar measures the respondents' own potential for change, while the second bar measures their perception of the organisation's ability to successfully handle change. Both elements are critical in understanding the likely barriers to change overall.

Because the questionnaire is not measuring 'right' or 'wrong' responses but those responses which were different from the ideal, the scoring on the chart shows how far from the ideal the respondents were, in other words how many responses were inappropriate. A perfect score would therefore be zero inappropriate. This is however unrealistic and so we use a danger-line at 15% inappropriate; based on our experience over the last 20 years any scores above this line represent a cause for concern and a training need, since it is indicative of attitudes that are likely to damage workplace performance or in this instance act as a barrier to change.

Barriers to change



Each sub scale contains 7 individual statements which managers are asked to either agree or disagree with and which have been designed to uncover the respondents' attitude towards each sub scale's topic.

The most inappropriate responses came in the "Organisational Readiness & Support" category which was 47 per cent inappropriate, (below 15 per cent is the healthy level!). This indicates that the respondents do not believe that their council is either sufficiently ready or able to make significant changes. It also indicates that whenever major change has been implemented in the past, 'senior management' – whoever they perceive that to be – has not adequately supported that process. In effect, the results here indicate a high degree of cynicism amongst managers as to the will and ability of their council to effect lasting change.

The "Potential for Change" category measures the degree to which the respondents feel that them doing things differently is necessary for performance to improve. Here an average of 43 per cent of responses were inappropriate, which indicates that managers believe there is little need to change the way they do their job, implying there is little room for personal improvement. This reflects a certain degree of complacency in regards to their performance and ties in with the previous graph, which showed that 72 per cent of local government managers surveyed believed that their area's performance was either high or very high.

Follow-on interviews with managers show that there is a widespread view that both they and their people are highly utilised and are being very effective. They therefore often mentioned the main scope for cost reduction as predominantly being things which are externally driven, such as investment in new IT systems to reduce workload, rather than simply managing existing resources more effectively.

They also stated a belief that staff motivation was largely driven by factors which are outside of their direct control such as pay and conditions, rather than by such things as the achievement of goals.

When these results are combined the level of resistance to change becomes clear. In summary our report has identified three clear barriers to change in councils: firstly, and perhaps contrary to the general public's view, managers believe their area's performance is already very good; secondly, there is a fairly cynical view of change programmes and their success, based on history; and finally, managers believe that those improvements which are available depend largely on changes from outside of their area of influence, rather than from within it.

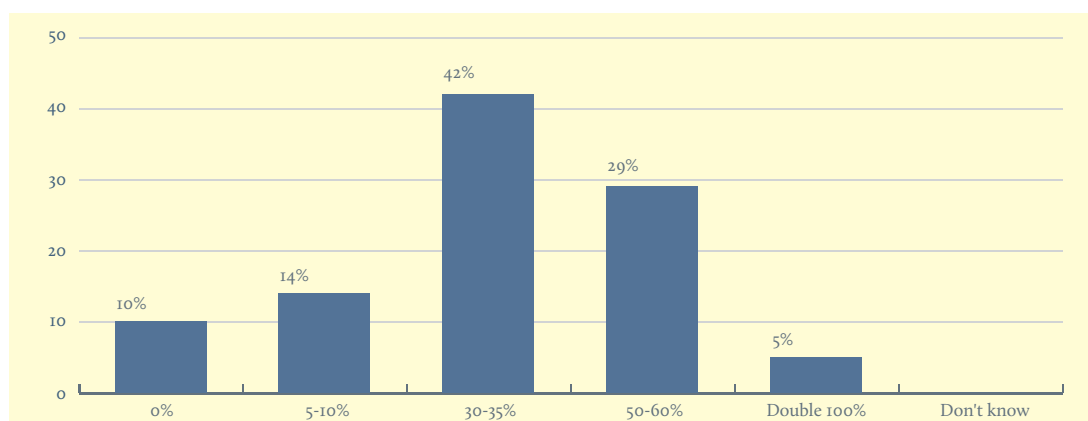
Can performance be improved?

The simple answer of course is "yes!" It is also the case that council managers and key staff members surveyed, believe this to be the case themselves.

When they were asked by how much performance could improve if realistic changes were made, the most popular choice made by managers was in the 30-35 per cent bracket, with 42 per cent of managers selecting

this option. This represents a bullish view in terms of the scale of improvements potentially available, and compares to an average 31 per cent of private sector managers who selected this option.

If realistic changes were made, by how much could performance be improved in your area?



So how does this square with the previous analysis which showed that most managers surveyed believe their performance to be high? Whilst this research shows that a large number of council managers believe that significant improvements are available, when it is reviewed together with the previous data, specifically the “potential for change” sub-scale discussed above, it becomes apparent that they also believe that the changes required to deliver this improvement do not lie within their area, nor do they require personal change on their part.

In other words, there is little evidence from the analysis that managers believe significant improvement can be achieved through their own hand, such as by better managing their existing resources. This supports the comments made previously and stemming from the personal interviews, which highlighted a reliance on capital expenditure and IT-based changes as being the solution.

This analysis illustrates the severity of the challenge for the sector’s leaders in generating personal accountability from council managers for their role in ensuring the improvements, and illustrates the very real tactical and human-related difficulties in achieving anything like the quantum of improvement that is required.

Other issues raised by the questionnaire

We have also analysed local government management’s attitudes towards a number of other categories which are again displayed against a scale showing how far from the ideal the responses were, with zero per cent being the perfect score, and the danger line at above 15 per cent inappropriate. Each and every sub scale exceeds the danger line; most being at least twice the acceptable level.

These included:

- **Accountability** - how accountable do the respondents feel for delivering work objectives and what degree of urgency do they feel? This sub scale averaged 35 per cent inappropriate.
- **Performance planning** - to what degree do managers believe that performance planning is a useful tool for improving results? An average of 36 per cent inappropriate.
- **Communications & systems clarity** - how clearly do the respondents feel that the system sets out what is expected of them? 33 per cent inappropriate.
- **Active management style** - do they believe that an active or a passive style is best? A perhaps unsurprising

39 per cent inappropriate, given the supporting behavioural analysis already discussed.

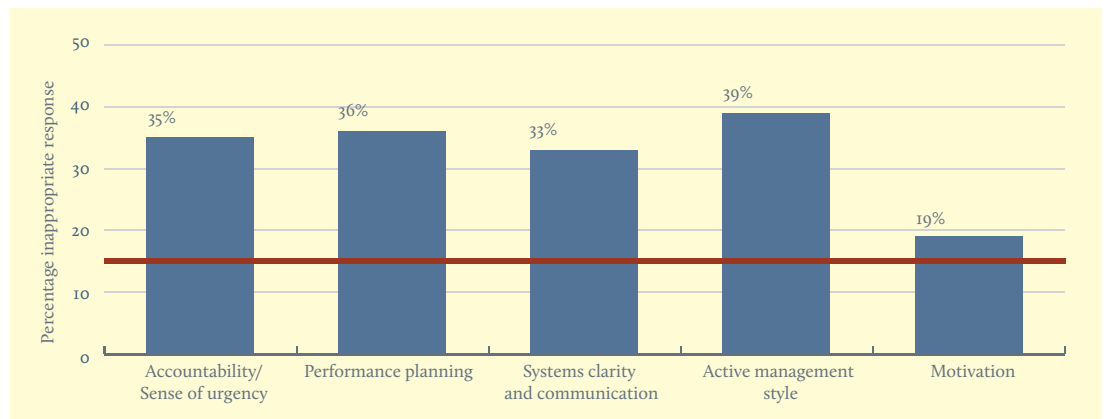
- **Motivation** - do the respondents believe that as managers they can motivate their staff to achieve better results or not? This sub scale averaged 19 per cent inappropriate, the least worst.

In our local government sample almost every category is well above the danger line, with only the Motivation sub scale coming close to an acceptable level.

The key points for consideration raised are that: levels of accountability and a consequent sense of urgency is lacking; key system weaknesses mean that managers do not fully recognise the value of performance planning as a management tool; linked to this point is the fact that the systems in use are poor at setting out clearly defined expectations; and finally, managers prefer to use a passive rather than an active management style, which reinforces the separate analyses on management styles and behaviours discussed previously.

These other results are summarised below.

Local Government performance orientation questionnaire results



An agenda for change

The key question that the public and politicians alike will be asking over the course of the next few years will be to what extent public services can hold up as funding levels are cut. Is the debate always going to be based around either raising taxes or cutting services, or can the severity of both options be reduced through better management of resources?

Knox D'Arcy's analyses show that there is a massive step change in cost reduction and productivity improvement available by simply taking what already exists and making it better. In other words addressing the management weaknesses and management control system gaps which commonly exist and which are contributing to the low levels of effective utilisation, excessive costs and poor service levels.

We strongly believe that public sector benchmarking is fundamentally flawed as a mechanism for assessing this potential. Whilst this is common practice in the sector in our experience it adds little to the process of identifying specific opportunities for improvement. There is always seen to be a good reason why data from another organisation is not accepted as directly relevant; 'our environment is different, we have different demographics, worse IT, less skilled people', and so on. People often spend more time and energy debating the relevance of the measure than actually getting on with addressing the issues.

In fact they are often right to be concerned. Every organisation is unique when one takes it right down to the bottom and therefore in order to identify the specific changes required for an individual council the design work has to be based on firsthand, objective observation and discussion, not a pre-packed 'one-size-fits-all' answer formed by central government or benchmarked averages.

This approach is of course more time consuming, but to try and generate a short-cut to the sort of fundamental change required is to miss the point. Not only is it dangerous and likely to lead to short lived benefits at best, service chaos at worst; but we will also miss an incredible opportunity to overhaul the sector and rid it of its clichéd public image as regards its culture, effectiveness and cost. Jibes about which the sector must be heartily sick of by now.

The Knox D'Arcy approach is to identify the opportunities, not based on performance levels elsewhere but by analysing our clients' organisations, with all their peculiarities and uniqueness and developing solutions which are tailor-made for them. This not only maximises the scale of the benefits but also ensures their sustainability.

Summary

To sum up, our research and experience indicates that the necessary changes are going to be very hard to achieve in local government.

Many managers have insufficient skill levels, particularly as regards active management; staff are lacking adequate levels of personal accountability; and performance planning tools are weak. Managers are also pessimistic about the potential for their organisation to successfully change and about the levels of support they will receive from the top. This in turn will reduce the degree of openness to major change.

Successful culture change, by which we mean sustainable culture change, is notoriously difficult to deliver and is also very time consuming as it has to be implemented from the 'bottom-up', in order for staff to gain the ownership of the changes and this requirement adds another challenge to officers' lists.

The point needs to be reiterated therefore that increasing efficiency within local government is not just a matter of cutting budgets. It is a matter of councils fundamentally changing their culture. Individual accountability has to be ingrained, which in turn means setting out clear expectations and defining precisely what an acceptable level of performance means. This has to be then actively controlled by managers with the tools and the skills to optimise themselves and their staff.

Poor performance, when it is found, cannot be tolerated, and managers will need to have the measurement systems, skills and confidence to identify below standard work or output levels and confront that positively using objective criteria. Easily enough said, but when a culture has grown up, as some have, where this simply doesn't happen then the adjustment period will be extremely testing and it is likely that 'sparks will fly' as working relationships have to readjust on to more commercial terms.

Planning and reporting systems must be introduced which constantly seek out how to reduce the time and cost of processes by identifying waste on a daily basis. Where appropriate, disciplinary procedures must be sharpened and used, fairly and consistently.

But staff cannot be expected to achieve all of this unaided. Managers and other staff must be properly supported from the top, through targeted and specific training, the introduction of more efficient processes, better communication and departments being re-aligned to achieve clear and shared objectives.

The current lack of systems which analyse staff utilisation levels; a key factor in preventing lost time from being driven out of processes, means that amongst management there is often the view that their people are working at full capacity. This feeds the belief that greater efficiency can only be achieved through a dramatic external intervention – such as an expensive new I.T system, or outsourcing. These incorrect perceptions, which act as brakes on management action, also need to be addressed.

This is not to say that capital expenditure projects cannot produce improvements, but I.T projects in particular frequently fail to deliver the expected results as they rarely tackle the underlying problems and frequently come without the sort of training and cultural change needed to get employees to do things in a fundamentally different way in order to realise the benefits. Given the financial position, there should in any case be a strong presumption against the authorisation of large scale capital expenditure which cannot be clearly and unambiguously linked to cost reduction.

By addressing the systems, attitudes and skills issues raised in this report, it is our practical experience that local government can massively reduce its cost base without the need for slashing services. In fact structured change programmes implemented by Knox D'Arcy typically delivers reductions in the cost base of somewhere between 20-30% through increased productivity and reduced lost time, whilst maintaining activity and service levels.

About Knox D'Arcy and our distinctive approach

Knox D'Arcy is an international profit improvement implementation consultancy that specialises in helping its clients achieve significant improvements in business performance and profitability.

Established in 1986 we undertake work in the U.K and Europe, North and South America as well as Southern Africa. We recognise that our greatest strength is the quality of our people and operate solely through employees as opposed to sub-contractors in order to attract and develop the best people.

Our reputation for consistently delivering quantified financial improvements in a wide range of businesses has enabled us to become one of the most successful international management consultancy practices in our field.

Methodology

Knox D'Arcy's approach is based on the premise that any organisation can make better use of its resources by changing the way it operates. Working with our clients we design and then implement the changes necessary to achieve superior performance throughout the organisation, ensuring that the results are both measurable and sustainable. Results are focussed on delivering enhanced financial performance with attendant gains in competitiveness and shareholder value.

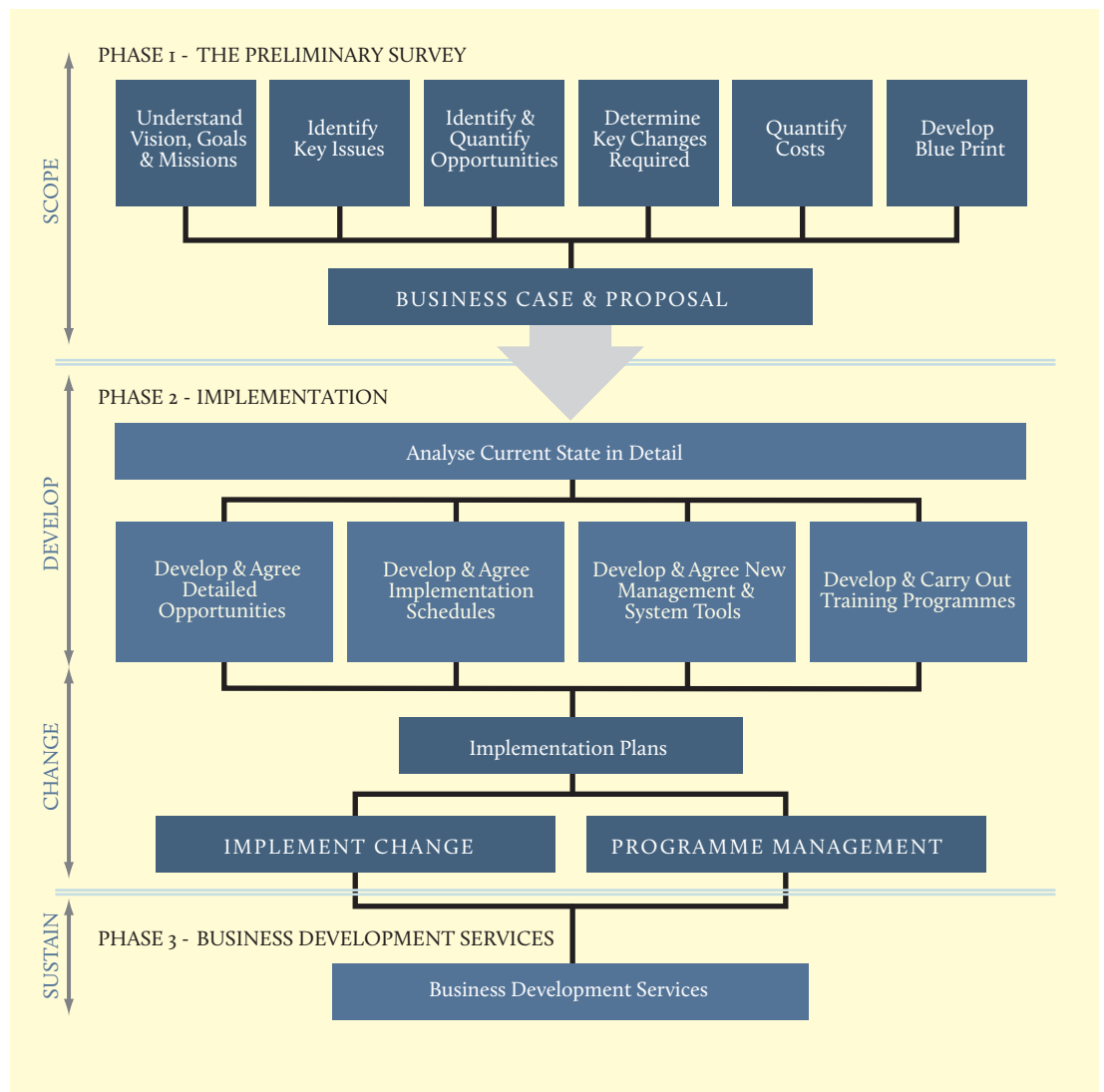
We consciously do not specialise in any particular industry or sector and this enables us to analyse our clients' businesses without preconceived ideas but with the benefit of understanding best practice in a wide range of industries and countries. In fact it has been our private sector experience which has particularly appealed to our public sector clients.

The essence of our methodology is people-based. The approach generates an attitude and behaviour change achieved through a combination of designing, developing and upgrading systems, processes and structures together with tailored management and supervisory training. It is this combination which produces the step-change in performance required to generate significant and sustainable results.

The precise nature of these changes is bespoke and they are designed during our initial phase of work - the Preliminary Survey. They are driven by a detailed understanding of our clients' medium and long term plans. The highly structured way in which we implement change means that clients are able to achieve their strategic aims faster and with less risk.

You will find us totally hands-on and totally practical all the way through. We do not get involved in theory. Everything we talk about we also make work for you, while the benefits to your organisation will be clearly quantified at the end of the Preliminary Survey phase.

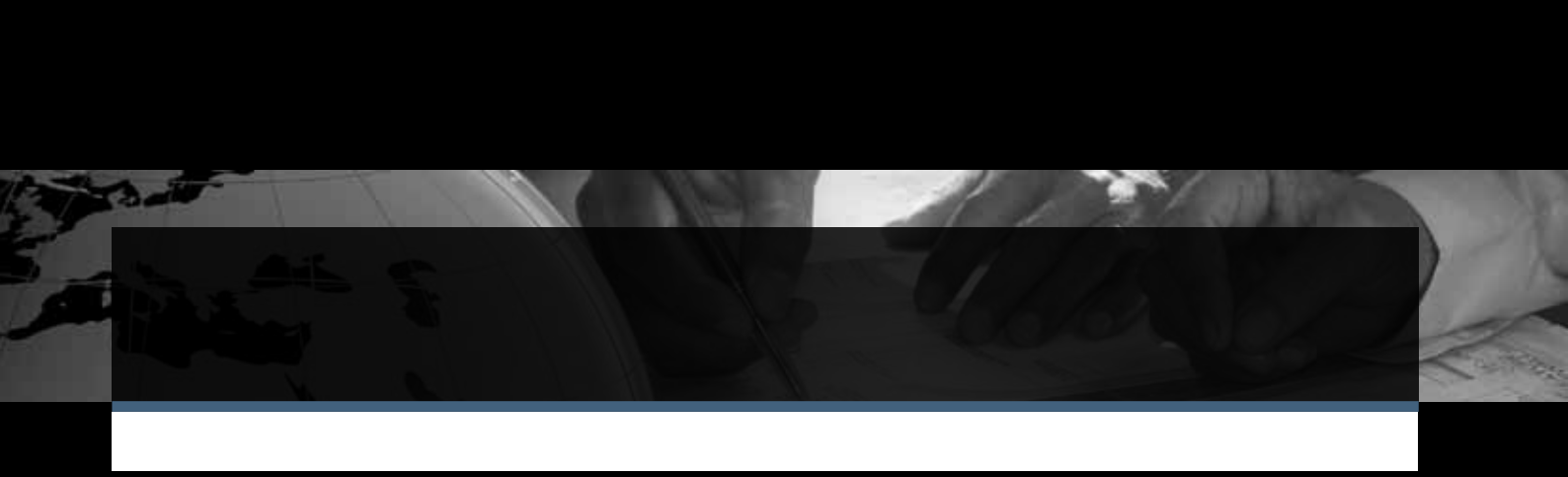
Our approach is summarised in the chart below.



As the graphic above illustrates our approach is focussed on identifying the root causes of inferior performance, and then qualifying and quantifying these causes in financial terms before working with our clients' people to implement the changes needed to improve performance throughout the organisation, ensuring that the results are both measurable and sustainable.

Whilst every business is different, a Knox D'Arcy Programme will normally provide a return on investment of between 2 and 3:1, or to express this in another way, to have a typical payback period of at least six months from the date of implementation. The exact return will be identified during the Preliminary Survey and will be subject to the scale of benefits available and the costs of implementing, which are two separately calculated figures, not derived from each other.





About Knox D'Arcy:

Knox D'Arcy is a UK-based international consultancy with experience of working across all sectors.

Established in 1986, we have grown mainly by referrals and recommendations based on our thorough and distinctive approach and are one of the most successful consultancies in our niche. Our premise is that significant improvements in the use of existing resources and assets are possible even in the most efficiently run organisations.

Our particular form of management consultancy is implementation or “management of change” rather than purely advisory or report writing services. Key features of our work are that we quantify the improvements available at the beginning of our involvement and we ensure that the ownership and authorship of the changes reside with our clients' people.

Why clients engage us:

We could point to a number of reasons such as the fact that we are jargon-free, straight-talking and honest in our approach, even if that means challenging cherished and fervently held beliefs. But, according to our clients, the main reason we are selected is that they feel quite simply that we will do what we say – and that is not something that can be said of every consultancy.

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Knox D'Arcy
Performance Improvement

