

Too many change initiatives have woolly or intangible goals but culture change can and should deliver bottom line results to the business.

In this article Philip Atkinson outlines how to make culture change tangible and reap the rewards of at least 20% of the cost of service delivery by demystifying the chaos associated with old traditional structures and management views that hold back progress.

The purpose of culture change is to secure the future of the organisation and this can only be achieved by examining the economic impact it can deliver. The way culture change can contribute to organisational success is by adding value to existing customers and winning new ones for the business. Culture change is about developing a strong competitive edge, developing core competencies and attracting and retaining the best people. Culture change can also reverse the polarity of the organisation and move from a fire-fighting mode to a planning mode where prevention of problems rather than reacting after the event consumes employee's time.

Healthy Positive Cultures are characterised by a long term perspective, with a focus on tactics to resolve immediate short term problems. The dominant culture should support and reward cross organisational working, and processes should rule over turf wars that exist between and within functions. What we have found in the last seven years is the opposite. The results displayed in an open workshop of a random selection of senior staff from a variety of backgrounds suggest that four factors seem to hold

back the ability of a change in culture to reap the economies that are possible.

Unhealthy Negative Cultures

We believe that too many organisations reflect negative characteristics made up of the following:

Short term tactical rather than Strategic focus

Increasingly it would appear that few organisations really plan more than a year in advance. Organisations are devoting more time to 'real time' tactics, rather than planning strategies and bedding down the essentials in advance.

Leadership in Decision Making

As the force or pressure to change increases, the average organisation actually slows down the process of decision-making rather than responding to the challenges required. This translates into a lack of confidence in decision-making which is certainly witnessed by staff and customers at all levels. This translates into management teams spending time 'thinking' rather than taking action and 'doing'. The 'thinking - doing' balance is poorly weighted into procrastination and prevarication.

The Silo Mentality

As the need for change and re-evaluating structures, cultures and systems increases many organisations seem to make little or no commitment to get people out of the safe confines and hierarchies of their functional silos and have them work as cross organisational members on critical customer facing business processes.

Fire-fighting

If you chart the dynamics in some businesses you may find the split between 'planning and prevention' and 'fire-fighting and fixing' is heavily geared towards the latter. This translates into solving yesterday's problems today - but failing to learn from the experience for tomorrow.

The Four Factors Combined

These four factors when combined can create a huge organisational problem which is summed up by the organisation becoming more reactive rather than proactive, backward rather than forward looking, and committed to temporary fixes and 'band-aid' solutions rather than developing a robust planning process to develop strategies to adapt to the pressures of the market place.

The Cost of the Four Factors

Our research into specific organisations suggests that, these four factors combined, can impact significantly on the organisation. This translates into a failure to actualise at least 20% of the operating costs of the business. We find that the higher the

The Economics of Culture Change

by Philip Atkinson



reliance on labour, especially in the service sector, the higher the waste associated. The cost associated with the four factors has been described as the 'cost of failure, the 'cost of quality' and the 'cost of non conformance' – it can also be described as the 'cost of service delivery' or COSD for short.

COSD – Cost of Service Delivery

This waste permeates all economic sectors and is the result of an evolving culture which is devoted solely to tactical short term fixes working within a silo mentality. This culture is prevalent in all industries and is displayed in many service sector organisations where, traditionally, accountability for resource utilisation is low. It is not surprising that some very large bureaucratic organisations and structures display these characteristics – some wielding a great deal of power in the provision of services to the public.

Having stated this, many organisations in the private sector are also awash with waste and non value added activities. And as previously stated, the larger the component of labour employed, the more the cost of service delivery will rise. Many senior managers in industry may nod in agreement after casting their eyes over the 'four factors' as being typical or at least fairly represented within their own businesses.

Delivering Right First Time

Billions of pounds and dollars are wasted each year by organisations which repeat the cycle of 'service delivery' again because they failed to deliver right first time. These costs are real costs that consume the time and energy of employees. These costs never show up on the Profit and Loss Account or the Balance Sheet of businesses, but they are a wasted resource. Most organisations fail to measure how much they have to invest 'putting things right' for their customers. Only when they become aware of the horrendous cost, do they start to take action. (See our three following case studies.) Thus many organisation's culture change drives have been

initiated to reduce these costs and build a culture of prevention and planning, to replace the old fire-fighting culture.

Who pays for these errors in Service Delivery?

The customer pays and funds the 'right second or third time' mentality which many organisations allow to drive their business. When something goes wrong and the organisation 'reworks' the process, the customer pays and this could easily amount to 40% extra on the cost of the consumption of a service or product. It can, and often does, cost the average Service business between 20 - 40% of its wages bill.

Reworking is the major factor in the cost of service delivery

The costs of getting things wrong are very high and tend never to be measured. We estimate that the cost of service delivery can cost a manufacturing company anywhere between 5 - 25% of operating costs, a service company anywhere between 20 - 40% operating costs. For some of the more inefficient and large public sector organisations and utilities now in private hands, the costs will be very high indeed.

The high costs experienced by service providers are often associated with the 'internal cost' of putting things right after they have gone wrong. This never shows up in any form of costing for the simple reason that costs associated with putting right what is wrong are often not measured.

Senior staff in organisations are frequently unaware of how much it costs to 'get things wrong'. Most Financial Directors will have little idea of how much providing 'COSD' costs them each year. The 'cost of service delivery' (COSD) never shows up on a balance sheet, profit and loss account or operating statement. In many cases, managers have never been asked to measure the price of service delivery and would really not know where to start.



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His new book 'How to become a Change Master: Real World Strategies for Achieving Change' (Spiro Press, Autumn, 2004) reflects many of the themes discussed within this article.

Case Study 1 – 57 ways to Open an Account

Working some time ago with a large Bank, I was amazed to find that there appeared to be as many ways of opening an account as there were Branches in the Commercial network. Although a procedure had been designed which detailed the process for opening new accounts – this was often disregarded by many in the Branch Network. There were many reasons for non adherence to the procedure. Some staff felt the process was too bureaucratic, other Branches had evolved their own way of 'doing business' and others thought that their way for opening accounts was improving 'customer service'. Whatever the motives of these people, it created major problems for account handling

at Head Office. This led to significant degrees of 'reworking' certain internal processes which further added to confusion as well as wasting people's time. The Institution decided to run a Pilot Project to estimate how much it was costing their company. With a wage bill of £100 million a year, many of those involved in the exercise believed that this cost could amount to at least £30 million.

In other words, 30% of time of all staff employed in the organisation was being wasted doing things right second or even third time. Tremendous effort and scarce resources were devoted to doing things again – which could have been done right first time.

Case Study 2 – Insurance Sales – Creating Rework

Consider a large Insurance company. This organisation has a direct Sales Force interacting with customers, as well as acting as agents with Independent Financial Advisors. The Sales Staff are keen to sell the products and do this quite well. However, in this example, the Sales Consultants meet with new prospects and agree and sign a deal. In this case, many Sales Consultants would 'close the sale' but neglect to complete all the paperwork. Attention to detail in completing the paperwork is critical because it sets up a legal agreement between the Customer and the Company. If the detail is wrong or inaccurate the company can commit itself to huge costs being paid to the customer.

Also, incomplete information is fed into a central administration processing unit requiring staff to contact the new customers firstly by phone and later by letter to glean all the necessary details to ensure that the legal agreement will be set up. We calculated that as much as 30% of a member of staff's time in central processing could be wasted completing this exercise – an exercise which was in the domain of the Sales Consultant. I was concerned, not just with this unnecessary cost, but also that this builds up a very negative perception in the customer's mind about the efficiency of the company – when they are continually required to go over old ground with those who administer the system.

Unbelievable Figures: 'Cost of Service Delivery'

When the high figures of 'cost of service delivery' are first quoted they appear unbelievable. People wonder how their company actually makes a profit. Even now, when the culture and quality revolution seems to be advancing pretty well in many businesses, we come across a number of organisations who have never heard of this concept or who have heard and understand the concept yet have taken no action to improve performance.

Most important of all, it must be remembered that COSD is the symptom of a cultural problem within the business and this usually resides between, rather than within, functions as is evidenced in the Four Factors.

Reworking is the cost associated with multiple cycles of attempted service delivery

When we are asked to assess the cost of service delivery, one of the greatest problems we experience is that we tend only to isolate those things which can be measured from those which are intangible or non quantifiable. The big mistake is to assume that the energy and resources going into the provision of that service are completed in one cycle. They are not! The cost of rework is the cost of completing and closing the transaction not the assumed cost of delivery. To deliver to customer requirements often requires multiple cycles each repeating various steps until customer satisfaction is achieved. This may mean we utilise

additional resources to complete an activity which should be achieved within one cycle. For instance, a customer service centre may have to call and interview a customer several times to remedy the fact that sales staff failed to capture all required data at the point of sale.

Another mistake is to measure only tangible items, eg direct labour for rework, scrap, wastage, etc. Many organisations make this error and come to the conclusion that the cost of rework is low because they fail to take into account the cost of the creation of bottlenecks, the massing of work in progress and the time taken to marshal the energy and effort to remedy cross functional process errors and confusion that tie up people and resources.

How Do We Assess The Cost of Quality?

COSD (cost of service delivery) is composed of three key elements. The largest proportion contributing to the COSD is the cost of errors. In other words, the action that has to be taken to perform tasks again. (We often refer to this as Rework.) We tend to measure only the tangible aspects of the operations; the cost of technology, materials, scrap, and direct labour – but neglect to measure other indirect costs. Indirect labour is a very large component of any organisation providing service to customers or the general public. Some examples have already been highlighted but many people in support functions fail to recognise that this cost is extremely high.

How many people in companies spend all their time reworking the errors of others. Does it not make sense to prevent problems

Case Study 3 – Patient Records Duplicated 9 Times

Likewise, I consulted within an NHS Hospital Trust and during one particular project we established that patient's records were duplicated nine times! We understood the reasoning for this but believed that the records would be accurate and consistent with each other. However, the degree of variability was extremely high. It was necessary to have duplicated records when a patient was being treated by several departments within the

Hospital but there were fundamental errors between one department and another regarding the very important issue of the pharmaceutical history of the patient. Clearly this could create major problems if a Doctor or other staff member made decisions about a patient based upon inaccurate information. The economics of this error would be very high if the error became the subject for legal Action against the Hospital.

arising and get them right first time? Some companies have whole departments engaged solely in rework.

Customer Service Departments and Rework

Some companies boast that they have the largest Customer Service Departments in the industry. They may also claim that they provide service satisfaction which is second to none. This is not something of which to be proud. It means that the company may unwittingly be accepting a level of quality which qualifies as 'getting it right second time'. The costs associated with resourcing multiple cycles of activity to complete service delivery can be quite horrendous.

More on Reworking

Reworking includes order re-entry, retyping, unnecessary travel, use of the telephone and conflict and fighting between departments – just some examples of waste which contribute to the COSD – 'cost of service delivery'. These are all assessed as

adding to the cost of 'doing things again.' To get into further detail there can be two types of rework – those which relate to internal and those that relate to external failure. If the product fails in the field the costs can be attributed towards external failure. If failure is in-house, it is internal failure! It is interesting to examine ratios between different companies in the same industry. These two areas can be further subdivided into necessary and unnecessary rework.

Necessary rework would be associated with redrafting or redesigning a document. It is unlikely – and some would argue undesirable – to depend on getting creative pieces of work absolutely right first time. But there comes a point when rework becomes unnecessary. It is to these areas that we would turn first to reduce waste. The interesting point about rework is that very few of us create rework for ourselves. Our supervisors and managers would comment and our inefficiency would stand out. Rework is usually created for others – probably the person who is next in line. It is created for you by those who feed you information, decisions, materials and resources. And you in turn can be a major source of rework for those in the company who depend on you. If you don't do your job right first time – someone has to fix it.

Cost of Service Delivery: Insurance Business

(Note the activities associated with Rework) Rework = Wasting Time!

Marketing Department

Lack of briefing
 Too many people involved in the process.
 Changes in directions and plans
 Too much / Unnecessary stocks
 Poor writing.
 Duplication of paperwork
 Lack of company knowledge
 Incorrect database
 Inability to use database
 Poor understanding of database
 Hierarchy and knowledge
 Communication barriers
 Rushed decisions
 Insufficient market knowledge
 Lack of planning
 Redrafting text
 Re-planning
 Dealing with the same or repeat problems
 Area Office problems
 Not empowering people.
 No decision/rushed decision and frequent changes
 Too many senior people involved.
 Unclear role and responsibility
 Not giving full attention to problems.
 Hand holding
 Lack of technical expertise
 Lack of training in Area Offices
 Reactivating projects
 Wasted time spent in meetings
 Lack of agreed commercial channels.

Office Services: Printing & Stationery

Failing to check work before passing to print room
 Lack of clear instructions require clarification
 Wrong reference numbers quoted.
 Wrong forms used.
 Delay in receipt of requested items.
 No specific quantities of consumables requested
 No forward planning by departments – before they run out of Stationery.
 Wrongly diverted and directed phone calls.
 Messages not passed on.
 Recipients of telephone messages do not pass on the message.
 Wrong format of Head Office Circulars adhered to.

Office Services, Reception

Callers dialing switchboard, returning call and asking for people by forename – message left did not clarify department or extension number
 Monthly team briefing and other team meetings when staff do not answer calls.
 Area offices going through switchboard rather than dialing direct
 Lack of product knowledge to enable receptionist to put the call through to the right department
 Lack of proper equipment, ie card index directory
 Paging system does not cover all buildings – makes it difficult to contact staff on occasions.
 Personnel unable to advise where temporary staff are working creates difficulty when trying to make contact.

Systems Department

Poor requirement definition
 Timescales not realistic
 Duplication of effort
 Poor contact with customers
 Legacy systems
 Lack of standards
 External suppliers
 Machine performance poor
 Testing tools inadequate
 Data prep keying
 P.C. Reconfiguring
 P.S. S/W Reconfiguring
 Program recoding
 Incident handling
 Problem management
 Complaint handling
 Maintenance.

Investment Administration

Lack of accurate and timely information
 Changes in Data-stream prices
 Working system downtime (Sherwood and Data-stream)
 Lack of information – Bank Statements
 Job requirements to be clarified
 Training deficiency in Lotus and Word Perfect
 Lack of time
 Failure to prioritise

Amendments
 External customers/ suppliers
 Recalculations of figures on Futures due to Broker delay
 Lack of communication
 Incorrect information – Cash Management
 Data-ease – checking system
 Classification of stocks
 Documents and working papers retained
 Misinterpretation of information and regulations
 Change in valuation (systems input).
 Copying data between systems
 Input errors
 Duplication of effort
 Changes in Board Reports
 Managers changing requirements and their minds
 Report changes
 Duplication of Blue Chip deals
 Dividend Voucher incorrect from Citibank
 Classification DTI/ ABI and Accounts
 Poor delegation of tasks
 Collating info from other departments
 External info incorrect
 Inadequate checks on high priority work
 Too many checks on trivial work
 Materiality
 Re-running docs
 Pick-up on development work
 Rushed jobs
 Job tasks to be clarified.

Life Processing Department

Recalculations
 Lack of feedback from disgruntled internal customers
 Direct debit: duplication of effort.
 Poor work and input from Area offices
 Setting up new business
 Procedures- forfeiture – early stage payments not continued.
 Writing poor new business
 Telephone calls seeking clarification
 Rework on data entry
 Customers not understanding Jargon in standard letters
 Poor presentation/ confused message in internal and external mail
 Poor message projected
 Misinterpretation of requests

Continued overleaf

Cost of Service Delivery: Insurance Business – Continued

Life Processing Department – cont

Control of files and papers
 User dept. does not have control of files.
 Wrong input, companies, banks, depts
 Don't see each other as customers
 Rushing jobs- fire-fighting
 Lack of knowledge
 Lack of facilities
 Computer downtime
 Lack of systems
 State clear objectives
 Ineffective planning
 Poor attitude leads to checking
 Lack of training
 Lack of information
 Pressure for speed
 Poor handwriting
 Careless processing
 Inaccurate input
 Lost papers
 Poor equipment
 Poor attitude
 Resistance to change
 Failure to listen to instructions
 Poor presentation
 Incorrect information
 Half a story
 Lack of incentive
 Poor communication
 Not focusing upon the job in hand
 Interruptions
 Lack of initial planning
 System failures.

Inspection and Over Checking

Systems Department

Data prep verification
 System testing
 User acceptance testing

OSA testing
 Service status reporting
 Inadequate documentation
 Code walkthroughs
 Reading journals
 PPF's.

Investment Administration Department

Cash forecast
 Review Board Papers
 Citibank (4 steps)
 Manual input checking
 Comparisons
 Exception reporting
 Spreadsheet input
 Typing
 Prints
 Additions
 Data-stream check
 Contract notes
 Settlements.

Activities Associated with Prevention

Life Processing Department

Job knowledge
 Training
 Understanding whole picture
 Company knowledge
 Technical skills
 Correct people for the job.
 Staff morale – feeling part of the team
 Good planning
 Communication
 Standard setting
 Flexibility and willingness to change

Feedback of errors
 Management skills
 Meetings skills
 Time management and objective setting
 Telephone/ complaint handling
 Communication skills, especially with the bereaved
 Design and development
 Planning and coordination
 Briefing meetings.

Marketing Activities

Planning time devoted to spec prior to briefing
 Listening to upward information
 More verbal – to complement written communication
 Conflicts with house style requires consistent standards
 Provide more + – feedback
 Checking information from Printers
 Knowing who has to see what and why
 Dealing with invoices
 Checking the chain – who has done what.

Systems Department

Formal reviews
 Clarifying terms of reference
 Training/ objectives/ standards
 OSA/Service Level Agreements
 Program testing /SWT
 Report production/ writing
 Documentation
 Training
 Change control
 Performance Management
 Capacity planning
 Service level management
 Faulty materials (from external suppliers)
 PC configuring
 Project planning.

The Cost of Inspection or Appraisal

The secondary element of the COSD is Appraisal or Inspection costs. Typical examples include the costs associated with controlling levels of service delivery to customers or to the next person in the supply chain. The cost of inspection is high, particularly in administrative areas. People spend a great deal of time checking on the work of others. The more 'silo driven' the organisation, the more the requirement to check and appraise the work or data from others before incorporating it into your work flow. Some of this inspection is necessary and some is unnecessary. It is the latter element that we want to eliminate.

Inspection activities are pursued by companies who have major problems with product and service quality. If things are not right – most organisations commit to over inspection – inspect, inspect, inspect. Inspection does not build reliability into the process, it just adds an extra loop or cycle in what should be right. No amount of Inspection will increase the reliability and the quality of a service only investment in prevention can do that.

The Cost of Prevention

The third component of COSD is Prevention. The activities normally associated with Prevention include training, planning, forecasting, progress chasing and meetings, agreeing standards and deliverables and is summed up in the phrase "one hour of planning saves ten hours of chaos."

So little time, effort, energy and resources are devoted in organisations today to prevention type activities. The way of life in too many organisations is 'crisis management'. Fire-fighting has become a way of life. Managers and staff get used to this culture and it becomes the norm. Time could be invested more effectively creating opportunities for the future and anticipating problems, rather than trying to solve yesterday's mistake.

Cultural Change: From Rework to Prevention

Investing time preventing problems so they will bring down rework is not easy. Don't expect this to be a straight swap, especially if the culture of the company is strongly orientated to fire-fighting and the associated battles and 'turf wars' between functional silos are the order of the day. (See diagram on Page 14.)

We need to create a culture where investment in prevention is the norm. By investing in 'prevention' we must focus on the vital processes that are subject to failure or that create risk for the business. These are re-engineered with the purpose of creating a process which is error free, but also incorporates the opportunity to better design the process and develop a self critical culture where prevention of risk or harm to that process is key.

This can only come about by replacing the insular and negative silo mentality with a commitment to work as a cross functional team working across boundaries. This is the culture change. COSD – 'cost of service delivery' will decline and the reduction in

The Cost of Service Delivery in an NHS Hospital

The following identified 'activities' associated with Rework were generated in two, one hour, Focus Groups with a selection of sixteen staff from a Hospital Trust. These 'activities' can be viewed as a set of particular problems that the Focus Groups considered pertinent. These problems have been grouped into either 'specific' or 'general' areas.

Specific Managerial/Clerical/Clinical

- Cumbersome recruitment process that appears designed to duplicate paperwork and delay recruitment.
- No central recruitment means that managers have and require additional managerial responsibilities outside their area of expertise.
- Agency staff use (because of poor recruitment processes) can create issues around quality of care, staff morale and whether the agency staff is actually competent.
- Booking of agency staff – communication, lack of communication and incorrect staff booked- lack of knowledge of the process.
- Permission is required for different parts of the recruitment process which creates rework ie – permission to advertise, permission to recruit.
- Termination forms are complex and difficult to process.
- Change in detail forms are generated within departments in one format and then copied by hand into another format centrally creating the possibility of mistakes and errors that cause rework.
- Payroll is not automated. Returns are hand written each month. Payroll input not in alphabetical order but personal number order which slows the process.
- Requisitions – 3 signatures needed, requestor, departmental manager (budget holder), general manager.
- Invoices – many still need to be faxed. Receiving company denies receipt (eg. fax machine out of paper at their end etc). Effect is delays of receipt of goods and need to re-fax. Spending £2K on electronic data interchange (EDI) would allow e-transfer of orders with automatic confirmation of receipt and availability of products.
- Process for purchase orders – too many people checking – obtaining the correct forms – forms being sent back – too lengthy time period. Too many people handling PO's.
- Queries on discharge prescriptions – 50% returned.
- Duplication of notes within the Hospital – requests for nursing and medical notes, with no apparent reason for the duplication.
- Silo mentality – departments do not know what other departments do – key people not known – no directory of organisation structure.
- Invoices processed electronically in Pharmacy – passed to Finance then Finance turn them into another electronic format – duplication of work.
- Wrong Ward information on charts.
- Ward Info charts not up to date.
- Bleeps – Doctors on call rotas changed without informing Wards.
- People don't turn up on training courses requiring additional courses.
- Presenters on training courses cancel without warning.
- Incorrect student information from managers for training events.
- Incorrect requests for services from Hotels and Facilities – how much/ when/what required is often not clear ie porters, cleaning and food.
- Different names for different departments creating confusion.
- No central registry of forms and directory of forms and processes.
- Lack of ownership of risk of health and safety leads to 'no' ownership and clinical risks being taken and rework generated.
- Poor preparation for taking on the role of manager and management training results in decision making processes being flawed.
- Blocking re purchasing is not communicated – wastes time and energy in preparation for worthless applications – rather impose open limits on purchasing.
- Fail to communicate spending limits – wasting people's time – based on parent and child relationship.
- Consultant and other staff still cited on payroll after leaving Trust results in rework when efforts are being made to track necessary figures/ information for auditing and assessment processes.
- Poor local Induction procedures result in rework for new employees and the staff who find themselves in that particular area of the Hospital.
- Environmental – no planned preventative maintenance system results in rework at later stages.
- Plan and design the infrastructure of the Hospital before installing electronic aids – beds etc.
- Need to risk assess before implementation and before making decisions about equipment and infrastructure.
- Little corporate project management methodology results in rework.
- No shared project management techniques.
- There is a large training lag between IT installation and ability to use IT.
- Errors with the siting and workability of workstations.
- Inadequate management of poor performers which inevitably results in rework for managers and colleagues of the individuals.
- The Trust appears to actively support the poor performer against the manager in resolving conflicts thus creating rework.
- Charts (inpatient etc) – left with previous ward name still on (chart goes back to wrong ward, not forwarded). Result – doctor has to rewrite chart .
- Discharge medication (TTOS) – Inpatient chart not sent down (in line with policy), pharmacy phones ward, another porter has to bring it down.
- Discharge medication (TTOS) – duplicates written. Audit in autumn 2002 showed of the 50 TTOS returned to Pharmacy from Jun – Oct 2002, 19 were duplicated. Subsequent re-audits have shown similar results.
- Pre-packing medication into Monitored Dosage System – Pharmacy does not having resources to produce monitoring dosage system for benefit of patients delays discharge – GP contacted to produce prescription and send to community pharmacy (delays discharge 48-72hrs).
- Medication Intervention record– Left by Pharmacy to highlight problems to nursing and medical staff. Delay in actioning them / not signing them by doctors causes delays and rework.
- Prescribing errors on TTOs – High level of transcription errors by doctors illustrated by audit in 2002 (1 in 2 TTOs had a transcription error).
- Biochemistry results – delays in processing and making available the results causes delays in producing parental nutrition (TPN – IV feed for patients) and subsequent rework for other departments.
- Patients – Trust not having resources to produce compliance aid.
- Duplicate medicines.
- Re-admission from incorrect discharge creates massive rework and cost.
- Falls and Trips – extends stay in Hospital
- Inappropriate diagnostic tests (duplication after duplication because of a lack of centralised electronic method).
- Duplication of test to different sources or providers of diagnosis
- Implementation of existing Department of Health standards, guidance and recommendations leading to non-compliance eventually produce massive rework and staff time problems due to late implementations.

General Issues culminating in Rework

- Corporate Governance – Directors legal and ethical responsibilities are sometimes not actioned quickly enough.
- Duplication of tasks within most departments – the creation and writing of reports which are not actioned.
- Accountability issues for managers, they need empowerment in critical areas.
- Meetings – continually deferred items being posted every month with no action being taken and no time frame for action posted.
- People not actioning meeting decisions so that meetings become ineffective and just a 'talking shop'. Group 'terms of reference' need to be published with clear accountability and time-frame agreements linked into the Trust Business Plan.
- Not enough time built into staff time to learn and develop skills which leads to mistakes and rework. Mandatory training requirements not undertaken by the Trust with the effect that over 50% of staff have not received mandatory training.
- Short-term financial fix for some problems, leads to long term rework and difficulties.
- Equality rules do not seem to be applied consistently.
- Resistance to change – people in all areas, including Directors are defensive and possessive about their own areas which results in a silo mentality – ultimately transferred to all employees.
- Ignorance of what others in the Trust can do and offer – eg PALS
- Multiple requests for information with no apparent purpose or priorities from other departments.
- Chasing Doctors – availability – this is a common problem throughout the Trust and leads to endless duplication of effort, rework and staff frustration engendering the silo mentality.

Culture Change

rework and inspection through an injection in prevention is critical. If we work on the 'vital few' processes that reflect the organisations core competence, results can be publicised very quickly. It is that simple.

A major concentration on prevention will change things quickly. Developing a strategy where managers are trained as internal facilitators to spread from the top of the organisation across and down is a critical success factor. Progress can be rapid. Change takes as long as the senior team wish it to take. Change in fact can occur overnight. Leadership and decisive action can reverse the fire-fighting, the short-term orientation and strongly functional basis of the organisation and create a culture of strategic intent with a longer term preventative nature anticipating problems and actioning solutions before they become part of the culture.

Strategic Goals & Culture Change

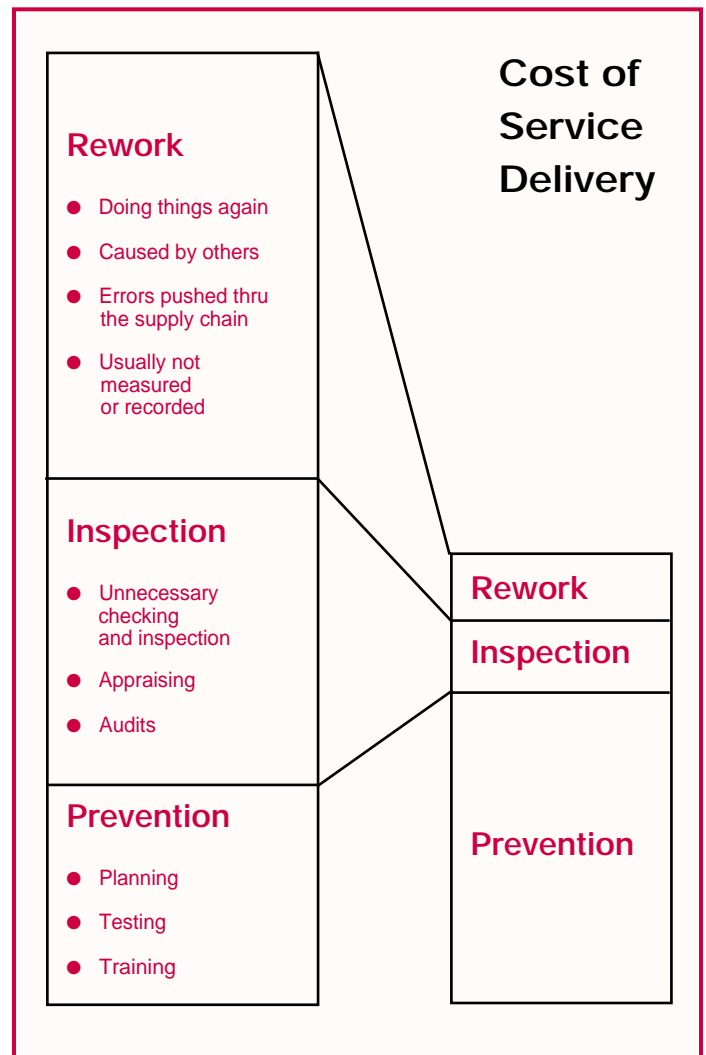
Reducing the 'cost of service delivery' must be the organisation's priority but it should not be a cost reduction exercise. There must be plenty of evidence to suggest that there is a major investment in prevention.

Overall, many organisations will be aiming to create a low 'cost of service delivery'. Currently Government departments are focused on reducing unnecessary costs or waste. It is suggested that they should consider the culture change required to deliver to their expectations. It means that the organisation is in a better competitive situation or can service their customer or consumer base more economically – reducing the costs of service delivery. Typically, the 'cost of service delivery' associated with many organisations in the UK is in the region of 20-40% of labour or operating cost depending on the nature of the organisation. Reducing this huge cost can have a tremendous impact on the 'bottom line'.

Summary: The Economic Benefits of Culture Change

There are compelling arguments to pursue culture change and they include many HR issues about delivering a team driven culture, but I am firmly committed to demonstrating that the change in culture will create very tangible financial benefits.

In the simple example that follows, I will attempt to demonstrate the hidden costs that can be released and turned into investment in the company. A small service based company with a turnover of £1 million per year makes an after tax profit of 10%. Their 'cost of service delivery' is a 'meagre' 20%. In other words, the profit in year one is £100k and the 'cost of service delivery' is £200k. If the



company used its latent energy and resources and implemented the commitment to create a preventative culture, it could reduce its 'cost of service delivery' significantly, by 50%, a saving of £100k. The result is outstanding! This has the same impact on the bottom line as increasing turnover by 100%. And to do this they would usually have to borrow large sums and deploy vast resources. But because this company adopted the change in culture, it cut costs, trimmed its slack and began doing things 'right first time'. The competitive edge is strengthened and its growth in the marketplace is assured. Just imagine the impact in the more traditional companies, public sector bureaucracies and large Quango's of using this approach. ■

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Members can contact MIC directly for tailored desk research or carry out their own searches from the web site.

The research service provides:

Reading lists – Either tailored or ready prepared lists, covering many management topics, are available free of charge to members. These can be posted or emailed.

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