Welsh Assembly Government

Developing a National Approach to Business Change in Welsh Local Government

Final Report

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Contents

1. Introduction

1.1 CRG Research Ltd, in association with the LEED[1] Unit at Cardiff Business School were commissioned by the Welsh Assembly Government to undertake research into 'Developing a National Approach to Business Change in Welsh Local Government.'

1.2 The research commenced in May 2008, with the following aims:

- **Stage 1:** to compile a body of work on which Welsh local authorities (and the public sector more widely) can draw to identify the appropriate business change methodologies for their specific project.
- **Stage 2:** to conduct primary research to provide a core resource setting out the current levels of business change activity and expertise that exists in the Welsh local government community.
- **Stage 3:** to summarise the information collected during Stage 2 and use that to make recommendations as to how these resources might be used to drive future business change projects in local government in a way that develops the in-house skills base and mechanisms for knowledge transfer within and between authorities.

1.3 More specific objectives were to:

- Review the recent academic literature and generate a single source of information about what business change methodologies might be applicable and appropriate to public sector organisations;
- Develop an analysis of the range of business change skills in Welsh local authorities including how that has been shaped by the need to drive service improvements for the citizen;
- Make recommendations as to how to develop a core set of business change expertise in Welsh local authorities that can form the basis of a shared and universally available resource, including what action the Assembly Government might take at a national level to improve the capacity, capability and skills transfer into and between local authorities.

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[1] Leadership, Enterprise and Economic Development

1.4   The 22 Welsh unitary local authorities are highly diverse in size, culture and many other characteristics. Change has been a constant feature of local government in recent decades and current circumstances are prompting ever more deliberate and widespread business change.

1.5   Financial settlements are set to be significantly less favourable for the next few years than they have been in the recent past. Increasing resource constraints come in the context of citizens whose needs and expectations will continue to increase and an ever more diverse society in which people expect high quality, accessible, integrated services ever more responsive to their individual needs and circumstances

1.6   Local authorities themselves are seeking to improve their service responses to the changing needs of local people. In addition they often need to respond to requirements and encouragement from the Welsh Assembly Government, the UK Government and the European Union.

1.7   Meeting these varied challenges is not as simple as just adopting methodologies that have proved successful in the private sector. The nature of local government - the political context, funding arrangements, complex mix of services, non-marketed services, requirements for collaboration, etc. - means that each authority faces different contexts and must develop appropriate responses.

1.8   Business change in local government can be motivated by:

- Local authorities wanting to put citizens at the centre of their businesses and further develop services which respond most effectively to the needs and aspirations of local people – building diversity into services, maximising accessibility, learning from the user experience and minimising failure;
- Working with the Welsh Assembly Government and the Wales Audit Office local authorities are developing their performance management frameworks and allowing their priorities for business change to be informed by good quality performance information;
- Local authorities wanting to achieve better service integration across organisational and professional boundaries recognising that this is a key demand of citizens and the means of achieving gains in efficiency and effectiveness. Developing further the Community Safety Partnerships, Health and Welsh Being Partnerships, Children and Young People Partnerships; developing Local Service Boards to add value to those existing partnerships;
- Local authorities recognise that for some part of their service delivery they can reduce transactional costs and increase specialisation by working across

the boundaries of individual local authorities and developing specific vehicles for shared service delivery;

- Local authorities recognise that they reduce costs by testing their business processes against the needs of service users and eliminating those processes which add least value to the user experience.

1.9   In practice, as we discuss in Section 3 and the Case Studies specific business change methodologies are rarely applied in a prescribed way: much change is being achieved opportunistically or through a combination of methods on an incremental basis.   In achieving change, much attention is also being given to 'people' or 'organisational culture' issues – perhaps through management development, organisational development, communication and idea-generation initiatives.   More targeted recruitment, flexible staffing arrangements, restructuring and a range of monitoring and evaluation techniques are also playing important roles in achieving change – complementing the specific business change programmes considered here.

1.10   An example of the type of approach taken to business change provided during this research states,

"…a number of projects which will have the greatest beneficial effect on the workings of the Authority have been developed. There are never more than seven projects in the programme at any one time, although they may change as projects reach completion and others are identified as being necessary.   Strict project and programme management disciplines are applied are accountable to the…Programme Board. The…Board is accountable to the Board of the Council. The advantage is that the limited resources of the Council are not dissipated amongst large numbers of change management projects; each one is carefully chosen and monitoring to completion.   Example: the Performance Management project was developed…to bring about a step change in our ability to manage our performance, not to do the actual job of performance management itself. It thus had a beginning, and when the step change had been achieved, an identifiable end. It was then closed, but the Authority's performance management continues at a very satisfactory level."

1.11   Achieving positive change is not guaranteed. Many programmes of change remain in their early stages but there is already a history of some projects making continuing progress and others being discontinued. This report points to considerable effort being made to achieve productive change in Welsh local government – and much success. It is widely agreed, however, that even greater efforts are going to be needed to ensure value for money and to avoid the danger that some organisations find themselves 'drowning not waving' whilst implementing some business improvement or change programmes.

1.12 The purpose of the report is to review a wide range of approaches to achieving effective business change, as a means of helping local authorities and other parts of the public sector decide on how best to meet the challenges and opportunities they face.

Methodology

1.13 The work programme for this project comprised the following activities. CRG led on the primary data collection, review and analysis, and development of recommendations; Cardiff Business School led on carrying out a thorough review of business change methodologies drawn from a range of sources.

Planning, Designing Samples and Research Instruments

- Summarised in the Inception Report.

Desk Research including:

- Academic journals, research reports and conference papers;
- Professional reports and articles;
- Government publications;
- Grey literature (unpublished materials);
- Policy material at both a Welsh and UK level;
- International literature (where appropriate);
- A thorough review of academic and governmental literature on business change methodologies.

Online Questionnaire Survey

- Sent to 223 Chief Executives and Service Heads across all 22 Welsh authorities giving them the opportunity to feed in their own experiences and examples of good practice; 40 responses were received.

Key Informant Interviews

- Strategic-level semi-sectored discussions took place with key informants from WLGA Regional Boards, the Welsh Assembly Government, local authorities directly, PSMW, and Wales Audit Commission.
- An initial group of 10 individuals were contacted seeking face-to-face interviews; 9 interviews took place.
- An additional 6 individuals from local authorities either contacted us or were suggested for interview. 5 interviews took place.

- Interviews with key academics including: Prof George Boyne, Prof Steve Martin, Dr Tom Entwistle of the Centre for Local & Regional Government Research as well as Simon Elias and Ann Essain of the Lean Enterprise Research Centre (Cardiff University).

Case Studies

- Following suggestions from key informants, 8 authorities were visited to review in detail particular examples of practical change management.

Report Structure

1.14 This report is structured as follows:

- *Section 2:* Looks at the background to the project including the policy context, rationale and objectives. It also outlines some of the most widely recognised business change methodologies.
- *Section 3:* Presents the results of the questionnaire survey: outlining the current business change context; the types of change being undertaken; current approaches to business change; future plans for change and support requirements in this area.
- *Section 4:* Presents the results from the key informant interviews: outlining the current business change context; the types of change being undertaken; current approaches to business change; future plans for change and support requirements in this area.
- *Section 5:* Provides more detailed information derived from the case study visits.
- *Section 6:* Gives our conclusions and recommendations.
- *Appendices:* give details of the key informants interviewed as part of this work, along with topic guides and questionnaire used to undertake the fieldwork.

2. Background

2.1 The period since the devolution settlement in 1999 has required major, continuing change in Welsh local government and other public bodies. The National Assembly for Wales has promoted a range of initiatives requiring evolving policies and delivery patterns within the 22 Local Authorities – many of them requiring different approaches to working in partnership with neighbouring authorities and other organisations. These pressures for change come over and above authorities' own aspirations to serve local people and meet identified priorities cost effectively.

2.2 There is limited capacity in the Welsh public sector for promoting effective change. In addition, there is no convenient reference point summarising possible approaches to business change. A convenient reference point might be used to prompt thinking about what managers might do to respond the challenges they are certainly facing - actions which might well centre around in-house resources and processes, but might also cover tendering for consultancy support or less formal joint learning between organisations.

2.3 In this context, the Assembly Government identified the need for a research project to scope the current position and consider how business change can be mainstreamed across local government in a more economic, efficient and effective way.

Policy Context

2.4 Achieving change in local government in Wales needs to take account of a varied group of local priorities, but all-Wales policies and priorities set by WAG require particular attention.

2.5 *'Making the Connections'* is the Welsh Assembly Government's approach to public service reform and delivery. It is based on four principles:

- **Citizens at the Centre:** services more responsive to users with people and communities involved in designing the way services are delivered.
- **Public Engagement:** every person to have the opportunity to contribute and to connect with the hardest to reach.
- **Working together as the Welsh Public Service:** more co-ordination between providers to deliver sustainable, quality and responsive services.

- **Value for Money:** making the most of our resources.

2.6 Over the last two years the Welsh Assembly Government (WAG) and Welsh Local Government Association (WLGA) alongside every local authority in Wales, have developed a structure of regional partnership boards to help develop, coordinate and deliver key elements of the "*Making the Connections*" agenda – particularly those which relate to collaborative working and achieving value for money. The four boards help generate ideas for joint working projects between local authorities as well as managing and brokering issues of political and organisational governance to support their delivery. Underpinning this approach is the need to fundamentally change the way that processes and functions are structured and managed in Welsh local government.[2]

2.7 The "*Delivering Beyond Boundaries*" action plan recognises the need for the Welsh public service to engage not only at the local level but also regionally and nationally. From early 2007-08, Local Service Boards have been responsible for leading the delivery of improved services bringing together the key contributors in areas such as health and social care, services for vulnerable children and others where good outcomes depend on services working together. The purpose of Local Service Boards (LSBs) is to enable local public service leadership to be more effective in responding to citizens. The aim is to improve local services for citizens by pooling resources and removing bureaucracy or other obstacles. LSBs are not new organisations or institutions, they are the local leadership team. Membership will include key leaders from across public, third and private sectors working as equal partners, taking joint responsibility for connecting the whole network of public services within their area.[3]

2.8 This policy context is changing the way officers and members from local government frame the design and delivery of their services along with a background of:

- a number of new collaborative projects being developed;
- the lack of a set of proven business change tools to choose from;
- no single source of knowledge among the Welsh public sector about ongoing business change practice; and
- the almost certain duplication of effort and expenditure generated by multiple consultancies.

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[2] WAG, Developing a National Approach to Business Change in Welsh Local Government, Invitation to Quote
[3] http://new.wales.gov.uk/topics/improvingservices/workingtogether/?lang=en

Business Change Methodologies

2.9   Approaches to business change are many and varied. In the separate 'Directory of Methods' which accompanies this report, and the 'technical report' in Annex A, a wide range of methodologies, tools, techniques and standards are listed.

2.10   Many have their origins in manufacturing and have not been applied within the public sector to any great extent. But there is already a good deal of experience of using some of these approaches – usually through in-house applications, but sometimes through external consultancy. As the need to operate in different ways continues to develop, the role of these approaches is widely expected to rise: choosing the 'right' approach for particular organisations becomes correspondingly vital.

Desk Research

2.11   The full desk research findings are given in Annex A but a number of points need to be emphasised in terms of the wider context for this study. First, it important to recognise that the various methodologies are not mutually exclusive and are not totally time bound. Although their theoretical underpinnings tend to follow a sequential path it is often the case that tools are adopted and adapted by sequential methodologies and in some cases superseding methodologies. It should be noted that some tools are common to a number of methodologies. This report will not detail and describe tools more than once, however we will refer to their description where appropriate.

Lean

2.12   The lean methodology, or lean thinking as it is more often called, has its origins in the Toyota Motor Corporation (Ohno, 1988). The ideas behind lean manufacturing came to the west via the book 'The Machine That Changed the World' by Womack & Jones, 1990. The book 'Lean Thinking' (Womack & Jones, 1996) developed lean as an organisational philosophy and set out five 'Lean Principles' that should drive an organisations operations management behaviour. The five principles can be summarised as:

- Specify Value: value can only be defined by the customer / end user.
- Identify the Value Stream: the value stream is the set of all the specific actions required to deliver a product/service to the customer.
- Flow: make all remaining value creating steps flow (after waste removal).
- Pull: make or deliver when and only what is pulled by the customer (just-in-time).

- Perfection: strive to continuously improve.

2.13   There are four main elements of the business philosophy of Lean. These are:

- Standardised Production System (often known as Lean Production System).
- Cross Departmental Management (often related to Process Management moving across the system and focusing on users rather than functional specialisms).
- Policy Deployment (concerned with the timeliness and flow of measures in the organisation aligning strategy to operational activity).
- Supplier Development (taking the first three into the supply base gaining improvements along the chain of suppliers).

2.14   The basis of Lean is simply to do more with less and deliver customer value through time compression. Lean challenges much of conventional wisdom and hence while combining many improvement tools (which were mostly developed, adopted and adapted from earlier quality movement methodologies designed to achieve holistic improvements in organisations) encourages the user to think about the cause and effect of the system.

2.15   A small number of recent comprehensive studies detail lean implementation within the public sector; there are also a number of other studies that detail implementation of lean in the National Health Service (NHS). We shall concentrate on the three most salient reports here published by; HMRC, the Scottish Executive and The National Audit Office (NAO). The latter (NAO study) is a robust literature review of process improvement methodologies and the two former detail applications of lean within the public sector in the UK

2.16   The three reports all suggest that the implementation of lean, to varying degrees, has delivered value for the public sector organisations studied.   The Scottish Executive published a robust report and it made some positive assertions regarding the value of lean.   The research detailed two types of lean implementation outcomes: tangible (measurable outcomes) and intangible (soft outcomes).   The report stated
"the research with organisations in the Scottish public sector, together with the evidence from the literature, indicates that Lean is transferable to the public sector and can be used to develop more seamless processes, improve flow, reduce waste and develop and understanding of customer value." (Radnor et al, 2006 p5).

2.17   The HMRC report detailed similar findings, including:

- Improved quality and productivity, made process and practices clearer and led to new ways of working.
- Resulted in an increase in the quality of work at all sites.

- A more structured approach to problem solving.
- Staff have become more accountable regarding the way that they manage.
- Team-working was generally acknowledge to be better under Lean.

2.18 The NAO commissioned study identified 162 publications and the subsequent literature review concluded that lean was the most prevalent business improvement methodology being implemented and the NHS was the area of the public services where most reported applications of lean are taking place. The report suggested that public sector organisations should be investing in process improvement methodologies and that lean is a good framework for the public sector as *"the principles give managers something to 'hang onto' with simple tools and techniques to use."* (Radnor et al, 2008 p7)

'Lean Systems'/Systems Thinking

2.19 Systems Thinking advocates looking at organisations as a whole and understanding relationships and linkages between departments or people rather than analysing individual departments or units as traditional (Cartesian) thinking suggests.

2.20 Lean and the Toyota Production System (TPS) are essentially systems thinking methodologies. This report has detailed Systems Thinking separately in order for the reader to reference quickly. Few academics and practitioners separate lean from systems thinking as lean is the dominant systems thinking methodology.

2.21 Vanguard Consulting, and its founder John Seddon (Visiting Professor at Cardiff University), have developed a systems thinking methodology they refer to as 'Lean Systems'. Vanguard suggest they developed their "Lean Systems" from the Toyota Production System and have adapted for the service sector. The theoretical underpinnings of lean thinking and Vanguards' 'Lean Systems' are the same. The 'Lean Systems' methodology is based on five main principles (ODPM Vanguard, 2006):

- The system established to do the work must be based on customer demand and must consider the work from the customer perspective.
- The system is designed against predictable demand.
- Understanding the flow of the work through the whole system is critical.
- Pull. Only do something when it is needed.
- The people working on the work should have the responsibility to design the system to satisfy the customer.

2.22 It is evident from the above list that the five main principles of the 'Lean Systems' approach are similar to the five principles of lean thinking. The main difference (and

main contribution) between lean and ''Lean Systems'' is the latter's separation of demand for a service into 'value demand' and 'failure demand'. Value demand is described as 'demand we want' (a customer telephones to request information on a service from an authority). Failure demand is demand caused by failure to do something or something right for a customer (a telephone call advising the information requested has not arrived).

2.23   The 'Lean Systems' methodology suggests that failure demand can make up between 20% and 80% of demand in a system. The 'Lean Systems' methodology advocates redesigning systems to fulfil the function of the service and simultaneously remove failure demand.

2.24   A review of the application of ''Lean Systems'' was published by the Office of the Deputy Prime Minister (ODPM) in September 2005. The study reported on three pilot studies undertaken at Tees Valley Housing Group, Leeds South East Homes and Preston City Council. The report stated:
"The pilots indicate that systems thinking has the potential to deliver wholesale efficiencies in service delivery. The work undertaken in all three pilots demonstrates cashable and non-cashable efficiency gains and significant service improvements."

2.25   The report also detailed the savings of each of the three pilots as 'actual cost savings' and 'efficiency gains to the reinvested'. Leeds South East reported actual cost savings of approximately £96,900, Preston reported actual cost savings of approximately £9,204, and Tees Valley reported actual cost savings of approximately £75,500. In terms of 'efficiency gains to be reinvested' they reported gains of £43,650; £122,592 and £87,530 respectively.

Six Sigma

2.26   Six Sigma, like Lean and 'Lean Systems', is a business process change methodology that has come from manufacturing; Motorola were the first to launch a Six Sigma programme in the mid 1980s. It is descended from the post war quality movement and the work of Deming and Shewart. The key difference in Six Sigma is the project rigour of applying the DMAIC (Define, Measure, Analyse, Improve, Control) cycle, which TQM did not have (Bicheno and Catherwood, 2005).

2.27   Six Sigma tools and techniques have been adopted and adapted from TQM, TOC, BPR etc. The approach of Six Sigma relates to the correlation between higher quality and lower development costs (Tadikamalla 1994) hence Six Sigma aims to reduce costs and increases quality of product or service through reducing product defects or service delivery failures. It uses a set of statistical and management tools to measure service quality, reduce variation, reduce costs and drive process improvement in order to make continuous breakthrough improvements. Snee

(2004) suggests there are 4 aspects in Six Sigma which are not emphasised elsewhere. These are:

- A focus on achieving bottom line results;
- The combination of human and process elements of improvement;
- The project rigor of DMAIC; and
- Infrastructure of skill through the use of the 'belt' hierarchy.

2.28   This study could not find any published robust reviews of the application of Six Sigma in the public sector in the UK. However a working paper (Essain et al) suggests that Six Sigma is being applied in the Gwent NHS Trust and the project delivered an increase in appointment slots with existing resources and a reduction in consultation time which taken together allowed the project to balance demand with service capacity.   There is evidence of it being successfully applied to healthcare in the US.   Harrington & Trusco (2005) list seven examples of the successful application of Six Sigma.

2.29   There are a number of examples of Six Sigma being successfully applied to business services in the UK.   Antony (2006) provides details of a number of organisations reporting improved processes and cost reductions including; Lloyds TSB, Egg, City Bank, Zurich Financial Services, J P Morgan Chase.

2.30   The above two detailed methodologies (Lean and Six Sigma) have been amalgamated by authors George (2003); George, Rowlands, Kastle (2004); George, Rowlands, Price, Maxey (2005).   This approach has been adopted by some academics and practitioners whilst delivering process improvement projects. It is argued that the most appropriate methodology and tool can be used dependent on specific context and circumstances. The methodology and tools are detailed in the sections on Lean and Six Sigma.

Business Process Re-engineering (BPR) & Business Process Improvement' (BPI)

2.31   The terms Business Process Re-engineering (BPR) and Business Process Improvement (BPI) are used interchangeably within the literature and so this report will detail them together in this section. BPR represented a theoretical departure, at the time, as it advocated ignoring existing organisational systems or procedures and re-designing or 're-engineering' the organisation completely to fit it's current raison d'etre. BPR was largely theory based whilst Lean and Six Sigma have emerged from studies of industry (manufacturing).   Therefore Lean and Six Sigma are sometimes referred to as BPR-type approaches.

2.32   BPR also drew on the quality movement and the work of Deming. BPR aimed to improve business performance through reducing costs and increasing speed, service and quality of service delivery. Hammer & Champy (1994, p49) wrote
"Re-engineering seeks break-throughs, not by enhancing existing processes, but by discarding them and replacing them with entirely new ones".

2.33   Hammer & Champy were therefore suggesting the main difference between BPR and existing quality improvement programmes was that it advocated a complete redesign of processes and business strategy from the requirements of the customer backwards. However Total Quality Management (TQM) proponents would argue that TQM is an organisational methodology that advocates the pursuit of quality in all aspects of practices and processes.

2.34   This study found little in terms of published reviews of the application of BPR in the public sector in the UK. One study by McAdam and Donaghy (1999) concluded that "BPR was seen as having a large potential for improving processes within the public sector" (McAdam and Donaghy, 1999 p9). However it also questioned the readiness of public sector organisations for the radical change that BPR aims for and suggested:
"Sponsors must also recognise the uniqueness of public sector organisations before embarking on initiatives involving radical 'clean sheet' approaches." (ibid)

2.35   A case study that reported on the application of BPR and Just in Time (JIT) in an Australian public sector organisation concluded
"Significant benefits have not been realised……the organisation has not been able to implement re-engineering because it has not been able to apply the techniques throughout all levels and across all functions." (Dean, 2000 p18).
However she also commented that:
"A project in one region demonstrated that significant increases in accessibility of information, productivity of employees, and enhanced customer satisfaction could be achieved by applying the JIT philosophy of waste reduction to processes…" (ibid)

EFQM

2.36   The European Foundation Quality Model (EFQM) is a non prescriptive framework based on nine criteria, see figure 1 below. The nine criteria are made up of five 'enablers' and four 'results', the enablers cover what an organisation does and the results what it achieves. The model suggests results are derived from practicing the enablers. The EFQM model advocates organisations self assess against the nine criteria and record measures in order to compare performance internally, externally and over time.

2.37   This study found two reports detailing the application of EFQM in the UK public sector, one at South Staffordshire Council and another at Stirling Council. The former detailed the application of EFQM in the council's customer contact centre which employed ten people (7.5 FTEs). The EFQM model was used to define the measures the new unit were to use and what customer satisfaction could be delivered. The report concluded "the self-assessment proved to be a valuable foundation for future thinking about customers and sustaining and improving performance" (Jacobs & Suckling, 2007 p377).

TQM

2.38   Defining Total Quality Management (TQM) is problematic as a number of authors have defined it differently over the years, Hellsten and Klefsjo (2000), quoted in Andersson et al, (2006) define it as

"a continuously evolving management system consisting of values, methodologies and tools, the aim of which is to increase external and internal customer satisfaction with a reduced amount of resources".

2.39   TQM evolved in the late 1980s from quality assurance which built on quality control concepts. TQM incorporated a number of tools and methods from various quality gurus: Deming's' Plan Do Check Act (see Lean section), Ishikawa's 'Quality Circles' and Crosby's 'Cost of Quality'. It could be argued that TQM has been superseded by Lean, Six Sigma, Systems Thinking, BPR and EFQM as the tools, techniques within TQM have been adopted and adapted by these methodologies.

2.40   This report found little of note in terms of public sector applications of TQM. A number of studies have documented the failures of TQM. Andersson et al (2006) quote Harari (1997) who concluded that less than one-third of all TQM projects in the US and Europe achieved significant or even tangible improvements in productivity, quality or financial benefits.

ISO 9000

2.41   ISO 9000 was developed by the International Organisation for Standardisation. The purpose of ISO is to develop management systems, processes and procedures to reduce defects and thus costs through the codification, audit and documentation of process standards. ISO 9000 is difficult to implement without the help of experienced practitioners (Baczewski, 2005). ISO was and to extent still is common to manufacturing organisations of all sizes, and is known to be applied widely in the public sector. This report found no reported application of ISO within the public sector. For a number of authors ISO has been superseded by TQM, Lean and Six Sigma to all intents and purposes.

2.42 The literature provided ample evidence that successful business change does not 'just happen'. Applying almost any models can bring success; equally, the most careful business change plan may fail to deliver if conditions and implementation details are not right. More important than particular tools and techniques do seem to be organisational cultures, top management commitment and having people with the right skills in positions from which they can work through appropriate ways of delivering better, more cost-effective services.

2.43 Because of this, a number of public sector bodies in Wales (and elsewhere) have given particular attention to culture change programmes under various guises, promoting effective communications, organisational development/,management development initiatives, and general attention to 'winning hearts and minds'.

2.44 Only touched on briefly in the rest of this report, a combination of both business change models outlined in the Directory of Methods, along with appropriate attention to people issues does seem to be essential if business change is to be achieved and sustained.

3.   Local Government Survey

3.1   A questionnaire survey was drawn up in consultation with WAG to capture the views and experiences of business change amongst key individuals working across Welsh local government. It was piloted with one local authority and amended in response to the pilot. It asked questions concerning:

- The drivers for change;
- Changes that have occurred to authorities over the last 3 years;
- Key examples of business change;
- What strategies are in place to manage change;
- Awareness of key business change tools and techniques and experience of their application in real terms;
- Barriers to change;
- Benefits of change; and
- Local government business change support requirements.

3.2   In total, 40 individuals from various local authorities completed the survey, a response rate of around 18%.

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3.3   The breakdown of responses by local authority service area is shown in Figure 1 below.

Figure 1: Survey Respondents by Local Authority Service Area

Respondents by Service
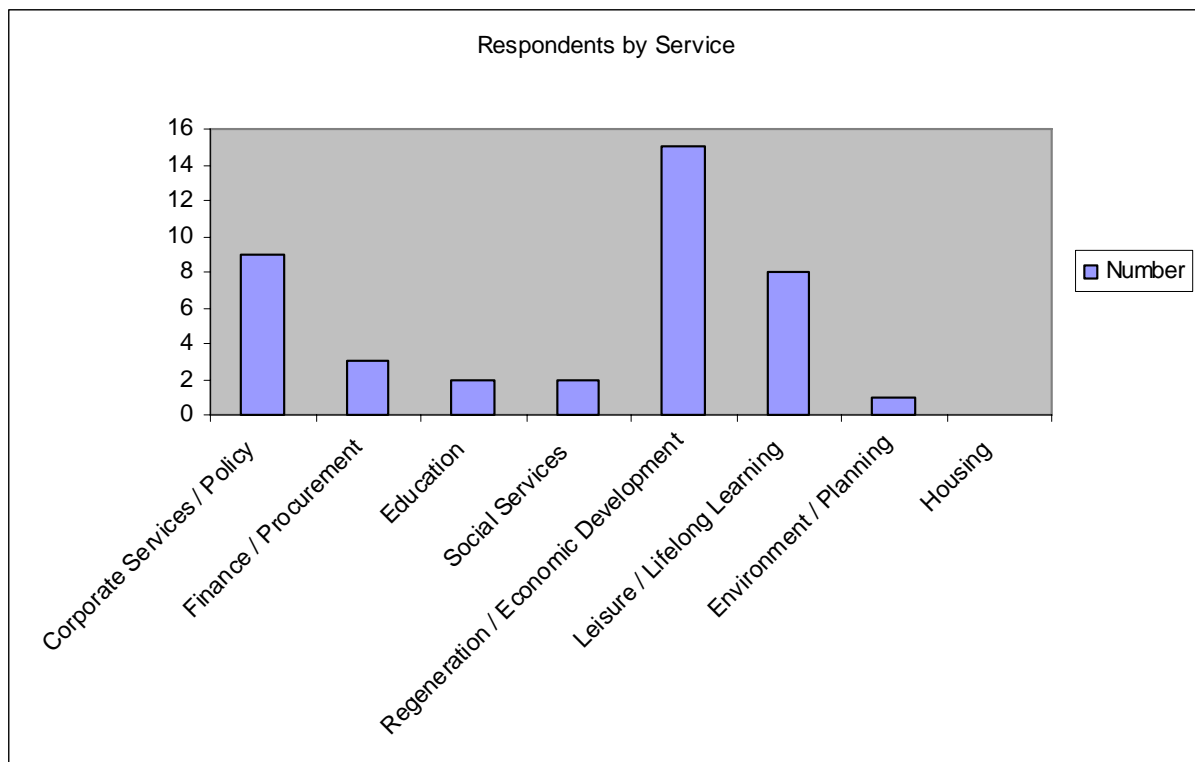
(n=40)

Business Change Context

3.4   Respondents agreed that over the past three years authorities have seen significant change in a number of areas. This change has been experienced most in the following areas:

- The way the authority consults citizens – 22 respondents agreed, with 7 agreeing strongly (n=39)
- Ways of Working - 15 agreed, with 15 agreeing strongly (n=38)
- Partnering with other organisations - 18 agreed strongly and 14 tended to agree (n=39)
- Officer Structures - 15 agreed, with 16 agreeing strongly (n=39)
- Vision, direction - 16 agreed strongly and 11 tended to agree (n=38)
- Reduced Headcount - 13 agreed, with 7 agreeing strongly (n=38)
- Political Structures - 12 agreed, with 10 agreeing strongly (n=39)
- Working Practices – 17 agreed, with 7 agreeing strongly (n=39)

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3.5   13 respondents tended to disagree that headcounts had increased in this period with 6 respondents disagreeing strongly. However, 3 respondents considered headcounts to have increased (n=35).

3.6   With regard to working conditions, respondents were less definite about changes with 11 respondents tending to disagree that there had been changes, 16 neither agreeing or disagreeing and 12 believing that there had been changes (n=39).

3.7   Some light was shone on these patterns in the case study and key informant interviews. Changing underlying attitudes and cultures is far from easy, and this has inevitable imitations for 'real' changes in working practices. Further, local government is complex and much change is incremental – sometimes achieved through 'covert' attention to key elements rather than formal 'change programmes' so perceptions about the pace, direction and characteristics of change are inevitably far from consistent.

3.8   The rationale for business change varies, with 23 respondents suggesting that change may come about because of the need for authorities to work in partnership (n=33) and 35 respondents answering that recent financial settlements have led to required changes such as cutbacks and / or the development of more streamlined services (n=36). Certainly this latter figure would support the findings around the changes that have been experienced by authorities, for example, decreased headcounts, officer structures, etc.

3.9   The impact of citizens on the pace of change is disputed, with 13 respondents suggesting they had driven change whilst 16 neither agreed nor disagreed on their role and 8 felt they had not influenced change in their authority (n=37).

3.10   Some examples of this context in operation include:

"Cultural change based on a citizen centred approach. Responding to the recommendations to Local Authorities in Beyond Boundaries. Series of member / officer working groups to articulate the cultural and behavioural changes needed, and the associated process changes that would support a new way of working. A set of clear statements of behavioural standards and expectations adopted by full Council, supported by a detailed implementation action plan that is being driven forward by members and officers."

"Senior management has been restructured. New customer service arrangements have been introduced. Corporate planning and performance management has been improved. The reason for change is to provide better outcomes for citizens and more cost effective service delivery. The change was managed through strong top management direction, political buy-in, and a dedicated change management resource. All stakeholders were engaged in the change process. The outcome is

reduced senior management costs, improved service to customers and tighter performance management."

3.11 Interesting points were made about the perception of support for change from the Welsh Assembly Government. The findings here were not encouraging: whilst 7 respondents considered the Welsh Assembly Government to have helped local authorities achieve productive change, 19 disagreed with this and 11 had no view on the matter (n=37). In addition, the majority of responses suggested that new responsibilities placed on local authorities by the Assembly have made it difficult for Authorities to achieve productive change (19 respondents in comparison to the 9 who tended to disagree this was the case and 8 who neither agreed nor disagreed) (n=37).

Types of Change

3.12   Respondents outlined many examples of business changes undertaken at both Corporate and Service levels by authorities including:

- Changes to the management of education in an authority through the development of a steering group and action plan to drive the process of change and improvement.
- Responding to recommendations make in *Beyond Boundaries* the development of a detailed implementation action plan to articulate the cultural and behavioural standards and expectations alongside the process changes required to work in a more citizen centred way.
- The establishment of a customer focused contact centre to make it easier for citizens to contact the council and access services driven through the use of a number of different techniques including BPR.
- The development of Local Service Boards leading to changes in the way authorities worked with partners and citizens and in how they framed their service delivery.
- Setting up specific change management departments / working groups.
- BPR-led improvements in the delivery of a Housing Benefit Service to address backlogs and delays.
- A managed change programme looking at restructuring senior management arrangements as part of a programme to promote corporate working, secure efficiencies and promote improved performance.

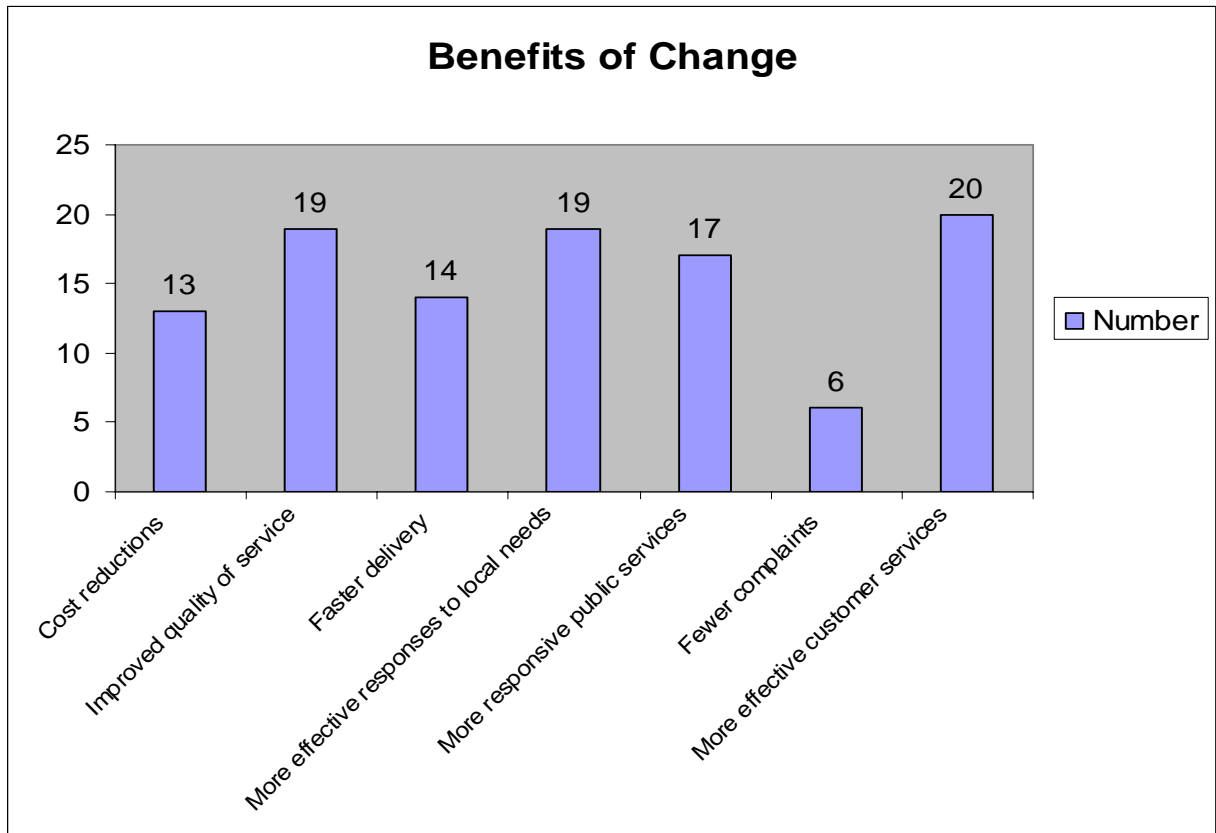3.13   A significant number of the changes detailed by survey respondents referred to greater customer service arrangements and the ways that citizens interact with Authorities through the development of contact centres and one stop shops.

Benefits of Change

3.14   There was widespread agreement about some of the benefits that could be derived from the effective management of change, these are summarised in Figure 2 below.

Figure 2: Benefits of Change

Benefits of Change

(Bar chart showing "Number" for each benefit category:)
- Cost reductions: 13
- Improved quality of service: 19
- Faster delivery: 14
- More effective responses to local needs: 19
- More responsive public services: 17
- Fewer complaints: 6
- More effective customer services: 20

(n=25)

Barriers to Change

3.15   Some authorities had encountered difficulties in trying to introduce formal strategies to manage business change and some of the barriers include:

- Citizen resistance to change and a desire for the status quo.
- Defensiveness from parts of the organisation.
- Difficulties experienced by officers and Members in coming to terms with new ways of working.
- Concerns over governance arrangements around new management bodies / partnerships.
- Inevitable cultural resistance to change and a necessity to secure cultural shift.
- Requirement to improve and modernise business processes.

3.16   An example provided of a barrier to change includes,

"Problems have been encountered amongst both officers and members in coming to terms with the new way of working. Some officers have felt challenged by close monitoring and some members have difficulty in understanding the need for a new way of working. There have also been a few issues over governance of the programme with the Board, although these have now all been successfully resolved. It has been a process of culture change and that always creates issues. Most people have now adapted to the new conditions and are content with them, to the great advantage of the Council."

Tools & Techniques

3.17   Current approaches to business change vary across authorities. Some of the more detailed responses included:

- *"A programme and project management approach adopted for all major service and organisational change. Documentation is produced to assist monitoring of performance. The Chief Executive and Corporate Directors review progress of a number of projects every 4 weeks."*
- *"We have established formal project management principles based around Prince2 methodology and we are making significant progress in developing our capacity and capability for business process re-engineering. However, these are corporate initiatives and there is still further work to be done to establish these approaches within all service areas."*

3.18   Some of the specific tools/techniques for managing change within authorities include: Business Process Reengineering (BPR); Balanced Scorecards; Charter Mark; Excellence Wales; IiP; Service Level Agreements; Wales Programme for Improvement Risk Assessment; Citizen Surveys; Surveying service users; Scrutiny and Prince2 and adapted Prince2 project management systems. No single approach could be said to have been extensively adopted, but as you can see in Figure 3 below a wide variety of methodologies have been used within local government.

Figure 3: Approaches Used in Welsh Local Government

Business Change Approaches Used
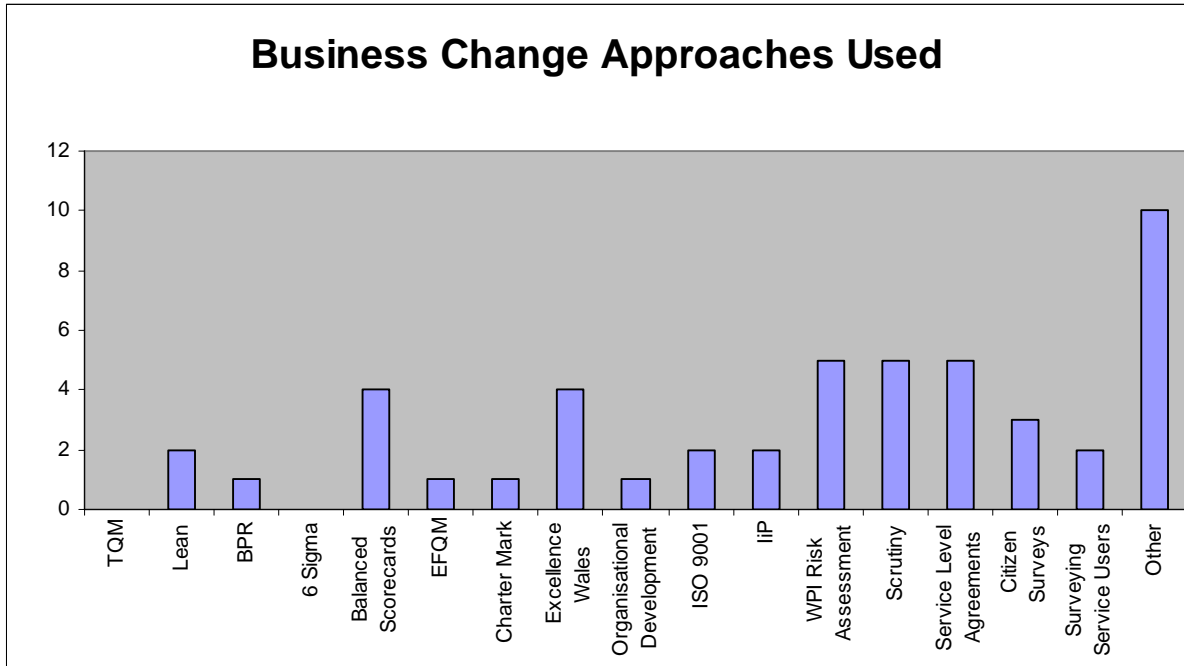
3.19 With increasingly devolved management structures, some change management programmes are being devolved too. One implication is that individual managers did not know about everything happening in their authority, so could only speculate about a number of formal tools/ techniques being applied at Service level across their authority.

3.20 In addition to the more formal change strategies adopted by authorities, we came upon many examples of opportunistic, and frequently unannounced innovations which focussed on specific parts of the organisation. These may be linked to annual business planning cycles, the development of 'task and finish' groups to improve specific aspects of service delivery and quality.

3.21 The main reason given for the use of specific techniques was simply key individuals being familiar with the approach, mention was also made of techniques being recommended by external consultants, but many one-off drivers for using specific tools arose, for example one technique had been adopted as it was linked to DWP investment in IT systems.

Future Plans

3.22 There do appear to be significant plans for changes amongst local authorities. The types of future changes planned are shown Figure 4 in below. As can clearly be seen from this table, many of our respondents have indicated that their authority has more than one type of change planned.

Figure 4: Types of Change Planned
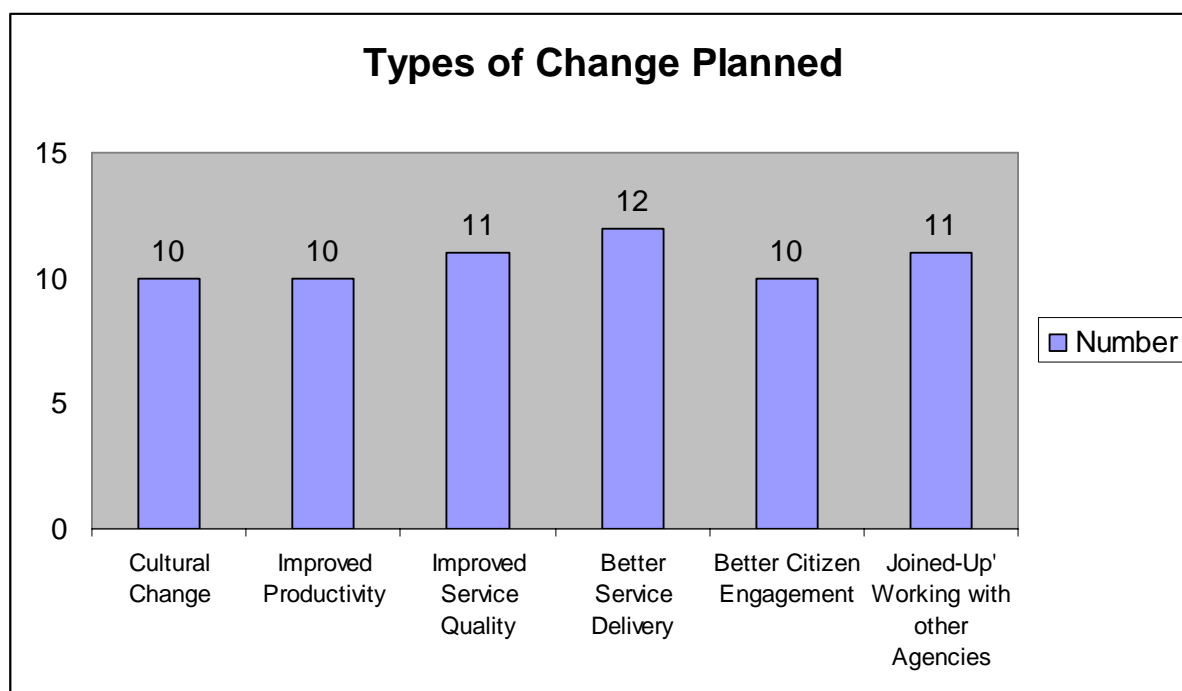
3.23 Future plans for change include integration and mainstreaming of 'change' techniques into the corporate planning cycle alongside business planning. Also, the further development of existing cultural change programmes and rationalisation of management and political arrangements.

3.24 Authorities recognise that it is important to improve service delivery, efficiency, effectiveness and relevance to need – across the board and with increasing pressures on financial support.

3.25 One authority commented,

"We have been a pilot for the WAG citizen programme, and used this framework within a few specific service areas. We have a major project on agile working and have employed a change manager who is now formulating a change management strategy for adoption by the whole authority."

3.26 Alongside this, there is widespread appreciation that business change tools alone will not achieve this change and that 'softer' issues such as staff empowerment, leadership, organisational commitment were of equal – if not greater – importance.

The Potential Contribution of Consultants

3.27 The survey does not indicate any significant increase in the planned use of consultants. Managers recognise that an external input can increase capacity,
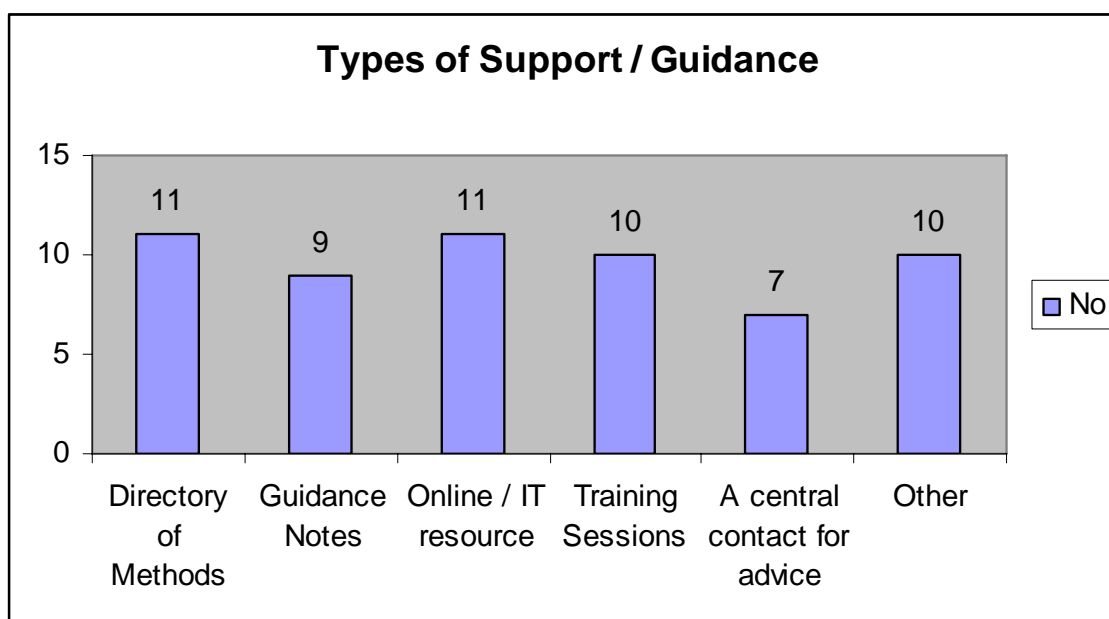
introduce experience and expertise and bring the advantage of outsider to relationship building and the development of partnerships. On the other hand there was widespread recognition that effective change must be owned and supported by all those involved in delivering and receiving a service. Only the selective use of skilled consultants can achieve the required balance of ownership and intervention.

3.28   One respondent identified the biggest challenge being to ensure ownership throughout the organisation, ensuring that every staff member realises this *"is part of their day job – not something for someone else to do"*.

3.29   On this point, the role of external consultants in introducing a formal business change strategy was called into question by one respondent who suggested
"The use of external consultants can result in un-realistic expectations from services. The authority needs to understand that significant business change required strong leadership and dedicated resources from within services."
However, another commented,
"The Authority has necessarily ambitious plans … and there will undoubtedly be capacity issues as well as lack of expertise in some areas."

Support Requirements

3.30   Looking at interest in support options for the future, it was encouraging to see appreciable interest in a Directory of Methods (see Figure 5).

Figure 5: Preferred Types of Support

Types of Support / Guidance

Directory of Methods: 11
Guidance Notes: 9
Online / IT resource: 11
Training Sessions: 10
A central contact for advice: 7
Other: 10

3.31   Other types of support suggested by the respondents include:

- A central financial resource held by the Assembly that local authorities can use to access professional advice.
- The opportunity to share experiences and learn from others through small group learning events.
- Provision of examples of relevant good practice from Wales and more widely.

3.32   However, not all respondents felt that support was necessary and suggested that there is a good deal of know-how already in place and adding to this would be *"crowding the arena"*. Another respondent suggested that this support may have been useful in the past but that local authorities have since developed the necessary skills to meet these challenges.

3.33   Furthermore, one respondent suggested,
"Change is often made more difficult by over-prescriptive 'guidance' and a proliferation of process orientated instructions from Welsh Assembly Government, which do not assist in delivering outcomes for citizens."

3.34   A key question concerning the Assembly's role in this agenda was raised by another respondent,
"…what will happen if local authorities get their act together (as they seem to be increasingly managing to do) and actually succeed at what they are being urged to do by WAG and others, while the latter don't manage to keep up? All business change is painful and leaves it scars on victims and perpetrators alike. It is far easier to insist

that others do it than to embark on it yourself. Leadership by example would be a grand thing!"

3.35   However, even highly experienced individuals indicated *"having a simple reminder or checklist would be no bad thing…".*

4. Key Informant Findings

4.1 Interviews were undertaken with individuals from WLGA, WLGA Regional Coordinators, Wales Audit Office, PSMW, and the Welsh Assembly Government. to gain wider perspectives on business change processes in general, Welsh local government actions and thinking, and on how experience in business change methodologies and practice might be promulgated and exchanged across Welsh local government to reduce reliance on external contractors.

4.2 We also interviewed 8 individuals from Welsh local authorities, either through case study visits or direct contacts – both suggested to us and contacting us direct following receipt of the questionnaire

4.3 A full list of interviewees is shown in Appendix I.

4.4 Semi-structured interviews were undertaken, guided by topic guides developed in conjunction with the Welsh Assembly Government (attached at Appendix II) which covered elements including:

- Interviewees' role and responsibilities;
- Experience of business change;
- Perspectives on business change in local authorities;
- Exchange of best practice examples / suggestions for Case Studies;
- Knowledge of business change methodologies;
- Support requirements; and,
- Views on proposed Directory of Methods.

Perspectives on Business Change in Welsh Local Government

4.5 It is widely agreed that the rate of business change impacting on local authorities is increasing. The last 10 years have seen the reform of public services as a major UK government and WAG political priority. A number of local authorities now have dedicated teams working on business change, and responding to the financial and infrastructure pressures facing local authorities.

4.6 There is also a recognised need for Councils to be more responsive to changing needs and demands and to be more efficient overall: to do this they are having to learn how to work in new ways.

4.7   The role of the Assembly Government was raised on a number of occasions. One of the interviewees commented *"There is widespread recognition of the WAG agenda and an awareness of the need to reengineer services due to financial pressures….authorities have a greater awareness of the need for change than WAG gives credit for."*

4.8   The Assembly is not always seen as leading by example, with interviewees making comments such as:

- *"WAG is not a great exemplar when it comes to business change."*
- *"It is important that WAG consider how they could lead this agenda by example. WAG operate very much in silos and not all departments recognise the wider strategic agenda impacting on authorities and appear to put barriers in the way."*
- *"WAG need to consider the incentives for change within local authorities. Their current approach of imposing financial pressures is not incentivising authorities to make strategic change."*
- *"new policy documents such as Making the Connections are published and it is assumed that policy changes will follow automatically. This is not the case and these policies need clear drivers and support mechanisms"*.

Current Approaches to Business Change

4.9   There is thought to be a significant level of business change activity taking place across Welsh local government at present. However, a number of people we spoke to stressed that there does not appear to be much consistency or coherence.

4.10   This is seen as largely inevitable given the variety and complexity within local government, but – despite "*islands of excellent examples of change*" the view is held that local government do not necessarily manage business change in a strategic way. This can be attributed to a number of factors, but particularly *"Change within the public sector is a fundamentally complex issue with big units to change and lots of baggage."*

4.11   It was also argued by a number of interviewees that the scale of local government makes it *"…impossible for anyone to get a real handle on the different levels of change that are currently taking place"*.

4.12   There were different views about how business change is occurring. One argued *"Change within local authorities is overt and explicit to reflect the overt and explicit nature of the Making the Connections programme."* while another suggested *"Some local authorities have a core of very entrenched staff. This can result in management having to take a covert approach to business change. The introduction of new staff*

can also shake up the business change management process in a subconscious way."

4.13 Most interviewees were able to highlight an example of overt business change currently taking place within Welsh local government and provide details of the tools being used to facilitate this change process.

4.14 Several interviewees suggested that taking a 'covert' approach to business change might just refer to managers doing their jobs effectively, *"accepting that change has now to be a bit thing and getting on with it."* This need not, of course, reduce the importance of having access to appropriate tools and techniques – and indeed, could reinforce the need for sources of information like the Directory of Methods.

4.15 For a number of interviewees, there is significant change happening across the Welsh public sector, with a conscious priority being to engage staff in the change process. A key example of this approach can be seen in the Monmouthshire case study.

4.16 However, one of the interviewees suggested that a more covert approach to business change could be more sustainable and successful overall as *"a 'big bang' approach can make significant structural changes but come up against significant barriers with the staff of an organisation".*

Factors that Facilitate Effective Change

4.17 Many of the interviewees stressed that it is not sufficient to concentrate on business change models and frameworks. *"Change doesn't happen through models and processes, it happens through people"* was a recurring theme. One of the key ways of ensuring that change is implemented effectively and sustainably is by encouraging the buy-in, support and understanding of the workforce.

4.18 Leadership and engagement were stressed as the key factors in facilitating effective change, with comments including:

- *"There is a need for clarity of direction both politically and at officer level to facilitate effective change. Also, staff engagement and responding to and consulting with local people is vital."*
- *"Leadership is key – there needs to be clear articulation of the rationale behind change, what you are trying to achieve. People have to be involved and buy-into the change, otherwise they will revert to the previous way of doing this. But this can be dependent on the scale of the change."*

Barriers to Effective Change

4.19   The current climate of change is requiring local authorities to look at the way they have traditionally worked and reinvigorate their ways of working, becoming more innovative and less risk adverse in its approach to service development and delivery. One of the interviewees commented *"Councils need to look at how they currently deal with risk, as at the moment they do not cope well with it. Aversion to risk and lack of risk management can lead to the implementation of ineffective and expensive systems."*

4.20   Welsh local authorities formally address the nature of risk through the Wales Programme for Improvement where they undertake a risk assessment and look to frame potential risk in ways they can influence, but "*it is important that authorities do not confuse this process of risk assessment with improvement and innovation.*"

4.21   Local authority staff (and, perhaps some elected members) can find the process of change very threatening and at present do not seem to be rewarded for embracing a change process and innovative culture. One interviewee commented,
"Until there is a system of recognition in place, innovation within local government in Wales will continue to be undermined."

4.22   It was suggested that the local democratic process can complicate successful business change. Popular fears about change can lead to the election of Councillors standing on very specific, localised and aspirational issues: their mandate may be to resist specific changes, and they may have little interest in supporting more collaborative, citizen focused public service patterns overall.

Technology

4.23   The role of technology as a catalyst for business change cannot be underestimated in this context. On more than one occasion whilst undertaking this research, investment in new technology was the first step in an authority initiating a large scale business change project.

4.24   Authorities appear to be acutely aware that simply investing in improved equipment is not enough and use the investment as an opportunity to review their systems, etc. This is particularly the case when it comes to customer service provision and linking of back and front office systems.

4.25   A number of key informants (mainly those from WAG) suggested that one of the key drivers and ways of addressing business change within local government is through greater collaborative working.

4.26   Some interviewees suggested that there was not enough attention across local authorities on common approaches and that there is far greater scope for collaboration to secure service improvements and efficiencies.

4.27   Other interviewees, however, thought that authorities were already working collaboratively and doing so effectively. The current collaborative projects that are taking place; groups such as the Welsh European Officers Group Network; Competitiveness and Convergence Framework project working groups and the Regional Partnerships were all given as examples of where local authorities are working together on a regular basis and making things happen.

4.28   It was further suggested that there have been a number of fundamental assumptions made around the benefits of collaborative working that need challenging. *"The bigger the grouping, the bigger the benefits ought to be: in practice, the bigger the group the slower it moves, so the benefits can never quite arrive – you have to be a bit more flexible and opportunistic;"* *"local politicians have to keep an eye on the next election: spending a lot of time and money for improvements a long way off isn't always easy to justify. WAG should remember this and put in more resourcing if they really want people to give their full attention to delivering some quite difficult things."*

4.29   A number of interviewees suggested that WAG did not always facilitate collaborative working and at times prevented its progress through delays in granting and agreeing funding.

4.30   Collaborative programmes can be perceived as requiring individuals to take a lead in an environment where they feel their position is under threat. For example, the shared services projects are being led and implemented by the relevant service heads from across local government, but shared services would not allow all of these service heads would retain their position.

4.31   It was the opinion of one of the interviewees that "*blindly pursuing this agenda could be dangerous as a shared service might not have the capacity and expertise to deal with the different set-ups and nuances of individual authority approaches*". Irrespective of savings, there were repeated comments that "*What matters is how services that are important to people are delivered locally.*

4.32   On this point, as another interviewee stressed, *"WAG must not expect quick wins from this agenda; to be effective and its results sustainable it must happen incrementally. WAG must ensure they are supportive of this incremental, measured response".*

Citizen Focused Service Agenda

4.33   The Assembly Government believes that local government should be looking to reengineer services towards the needs of citizens. This is underpinned by a requirement for public services to 'capture the voice of its citizens' and use it to design services and inform service delivery.

4.34   The majority of interviewees agreed with this intention and thought it was important for Councils to interact better with their citizens. Some authorities have taken the citizen-led role even further and looked for 'co-production ways' in the design and delivery of services. For an example of this in practice, see the case study relating to Monmouthshire County Council.

4.35   Although not all moving to 'co-production', local authorities generally appear to be embracing this agenda and there is significant activity around citizen led services, citizen involvement and community development activity. Some concerns were expressed about raising expectations that councils are not always able to deliver on, and he need to give due attention to 'back office' processes – *"not citizen focused but vital to deliver the most effective and efficient front line services…citizens are seldom concerned about them."*

4.36   Familiar points were also raised about *"agendas being pushed by a vocal majority – the same 5-10% of citizens who have something to say are those that are heavily involved in citizen panels, community groups, boards of governors, etc. These individuals are acting as small pressure groups on local authority services."*

Use of Consultants

4.37   A number of interviewees seemed to hold the view that large numbers of consultants are undertaking business change assignments within local authorities at present, in a fragmented way across authorities with no coherent approach.

4.38   Those more directly involved described much smaller number of consultants, generally working on feasibility studies and discrete projects rather than on large scale business change activity. For them, local authorities had been careful about how they engage with consultancies and deriving best value from them – bringing

capacity and expertise to fill gaps in the areas of organisational development and change.

4.39   Consultants have an important role to play as 'outsiders' however, when dealing with some of the difficult issues surrounding business change. The level of independence they have can make 'difficult' messages easier to deliver to the organisation.

Support Requirements

4.40   Interviewees could identify significant change management expertise in the public sector, but were clear that it is in short supply. Further, expertise may not always be applied effectively or have the opportunity to engage at strategic levels. However, the issue of meeting needs for additional support is not straightforward.

4.41   Several interviewees suggested that WAG should approach this area with caution, with many *'initiatived-out'* and feeling they get little recognition from the centre. One interviewee stated,
"WAG cannot take a flowchart approach to this issue and must recognise the complexities and difficult decisions authorities face."

4.42   A number of interviewees pointed to the need for financial support for authorities to undertake business change activity. In the current financial climate it is not always politically attractive for authorities to make funds available for business change activity.

4.43   Suggestions for additional support included harnessing collective purchasing power to appoint a number of consultants on a call off contract to facilitate business change processes and build capacity across Welsh local government. Discussions with PSMW pointed out that these arrangements are – potentially – already in place, so he key issue may, in fact, be making good use of existing framework agreements before developing new ones. The importance of using consultants strategically and transferring ideas and learning was emphasised.

4.44   Incentives for change were regularly raised. One of the interviewees suggested that,
"WAG's current approach of imposing financial pressures is not incentivising authorities to make strategic change." It was deemed important that some reward system was established to support and encourage local authorities to take this approach.

4.45   Additional support recommendations included:

- The development of a community of practice of business change;
- Development of learning exchange models;

- Scope for PSMW to develop a flexible training model on business change techniques.

4.46 A consistent message from our interviewees was 'don't forget the third sector' who work closely with the public and private sectors in service delivery. This issue is being addressed to some extent by Local Service Boards and others but it can be a real challenge for third sector bodies with limited resources overall, and certainly few expert staff or funds to appoint consultants to help them meet WAG's challenging requirements. There may be scope for, say, local authorities offering free or highly subsidised participation for third sector partners in change programme. More widely, WAG should consider either allocating specific 'one-off' funding for business change programmes in the third sector, or be prepared to make appropriate arrangements in SLAs or other formal agreements to facilitate necessary investment in business change initiatives.

4.47   There was widespread support for the Directory of Methods concept from our interviewees with most considering it a potentially useful reference tool.

4.48   The primary consideration for the Directory would be the issue of language. One interviewee suggested, *"Academics and practitioners speak two different languages and any directory should look to break down the barriers between the two."* Another interviewee also stressed that the Directory of Methods should be *"very straightforward and not loose touch of the language spoken at local level".*

4.49   Taken from a number of the interviews, the Directory should include:

- Case Studies;
- Governance information;
- Evaluation of different methods;
- Matrix of relevant techniques; and
- Information on addressing the critical success factors to any change process – staff, process, customers, etc.

4.50   The Directory should outline what particular methodologies cannot achieve as well as what they can, and emphasise that one size does not fit all.

4.51   In support of this point, one of the interviewees suggested that there is a tendency to accept models uncritically on the basis of recommendations / prior knowledge, etc. *"For example, Lean / BPR can run the danger of being too mechanistic whilst focusing too much on behavioural issues can run the danger of missing key business imperatives. There is a need to recognise what these models cannot achieve alongside what they can and the Directory of Methods should do this".*

5. Case Studies

Introduction

5.1 The purpose of case studies was to find specific examples of business change that had occurred within Welsh local government and to explore them in greater depth.

5.2 Case studies were identified through the questionnaire survey and from suggestions made by key informants to the project.

5.3 The case study subjects were asked to sign off the case study information that included contact details to enable them to be reached by other authorities looking for advice on undertaking similar change projects.

Case Studies

Business Tools to Help Manage Change: Access to Services
**Powys County Council**

Background
Recognising the fragmented nature of service provision and the frustrations experienced by its customers, the council signed up to a vision of a transformed approach in September 2003, moving from a silo based approach to one which is customer focussed. The transformational programme aligned closely with the Authority's wider strategic aims and also echoed central government thinking and the Making the Connections agenda.

The Approach
Access to Services (A2S) aims to improve the efficiency and effectiveness of service delivery and increase customer satisfaction by transforming the way in which the council interacts with its customers, specifically through establishing a corporate distributed contact centre and corporate face to face customer services arrangements to provide a single gateway to local government and partner services in Powys.

As the A2S Vision was emerging, so too was the authority's recognition that it needed to formalise its programme and project management arrangements and it engaged the services of a Programme & Project Management Specialist to establish both a corporate level programme together with a tailor made programme and project management methodology and toolkit built around the principles specified in PRINCE2. As a result, Aim High Powys (AHP) Programme was established which incorporated 7 high level transformation projects across the Council. Although A2S could be classified as a programme in its own right, it was presented as a phased project within AHP.

Recognising that to establish a corporate distributed contact centre and corporate face to face customer service, the Council would need to integrate a number of targeted services, re-engineer the processes and migrate those particular customer facing elements to the contact centre. This re-engineering would identify staff resource and produce efficiencies that could be re-invested in customer focussed technology. Powys CC engaged the services of Capita Business Services Ltd to provide capacity in Business Process Re-engineering (BPR) and provide a platform from which to develop home-grown capacity by providing mentoring and skills transfer and develop Powys' personalised BPR approach and methodology (Fig 1.).
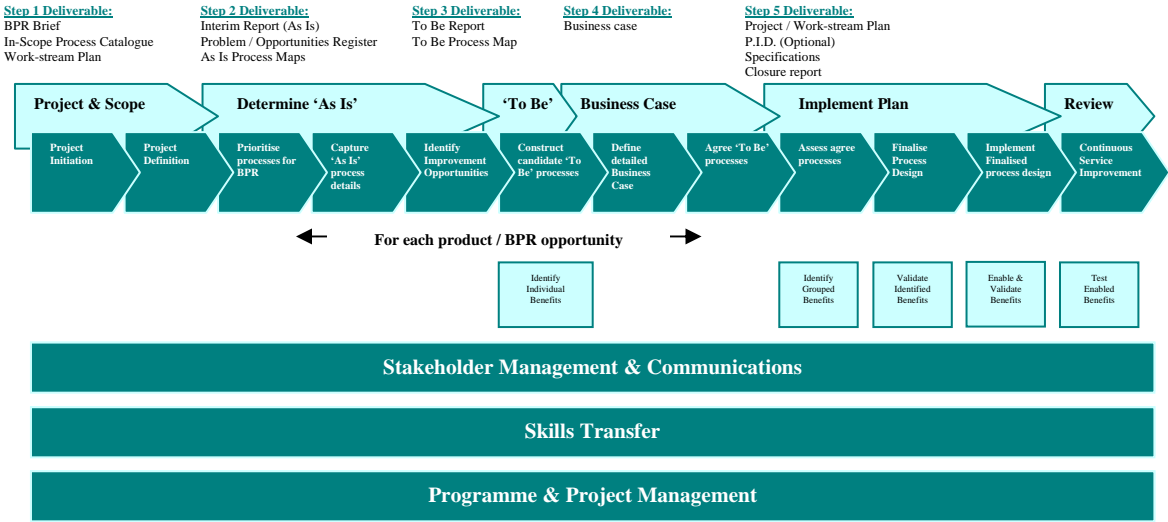
Fig 1. – BPR Approach and Methodology

4 contact centre premises, staffing and technology are now operating to plan with a 5th site due to be operational from November 2008. This distributed contact centre now employs 100 staff, taking 1,000 calls per day whilst operating a busy face to face service. Performance indicates a 94% answer rate and a typical 20 second time to answer on specialist services such as benefits and housing. By using BPR business tools within our developing project management systems, customer services now offer 1st point of contact for council tax and benefits, highways and housing maintenance. Phase 2, which should conclude by December 2008, will bring a full service on stream for street lighting, disability badges, standby and call out arrangements, integration of registrars and a major element of environmental health services.

Services available from the distributed operation will include local information provision; management of interview room bookings and reception services for surgeries for other council services and partners; sale of refuse sacks and management of free recycling bags; revenue and benefits / council tax services including receiving initial contact on revenue & benefits enquiries; receipting and verification of benefit forms, payments to the council using debit / credit cards; housing information and services including reporting of council housing

repairs: enter all customer contacts on the council's CRM system; receive comments, compliments and complaints and enter onto on-line system; provide bulky waste collection service and other highways helpdesk services; allocation of parking permits; allocation of blue badges; allocation of concessionary travel and arranging and taking payment for pest control services.

Ongoing

Programme and project management has provided Powys CC with a focus for delivering on the significant transformation agenda that has been put in place. As a result of establishing formal governance arrangements with specified reporting structures, all stakeholders are aware of the demands on quality, cost and schedule. This has become a significant aid in driving the cultural change and transformation agenda – staff can now see that executive management and board are delivering on their commitments. BPR also has the ability to generate enthusiasm for change within services. The test now will be to educate service managers in recognising what constitutes continuous service improvement and what initiatives can be considered genuine attempts to re-engineer our processes end to end and making the customer central to our thinking.

The four major lessons learnt to date have been based around ownership, a well defined project brief, staff resource and expectations on consultants. Having begun our re-engineering agenda based around a small centralised team, the services being subjected to change were not sufficiently engaged in the work. As a result, although many improvement opportunities were identified, services have been slow to fully implement such changes due to lack of ownership. This has been addressed by identifying service champions from within services to lead on developing re-designed solutions and implementation.

The definition of the project brief is critical as this will set the direction for services and BPR Analysts. Poorly defined work-streams will most certainly result in a failure to meet deadlines and deliverables. If the scope of the project is too wide, the sheer volume of work can become difficult to manage, especially if there is no correlation between volume and staff resource.

It is true to say that you get out what you are prepared to put in. For projects and BPR to succeed, they must be properly resourced, in particular with regards to staffing. Generally, you need to withdraw staff from their everyday duties and allow them to focus 100% on the change agenda. If there is any confusion around work loyalties, this will reflect both on the quality of the work and in particular on the time required to achieve the required results.

When significant financial resource is expended on external consultants the expectation is often very high, often expecting miracles. No matter who the consultant, if service ownership of potential changes is not in place and insufficient staff resource is made available to support the work of consultants, their ability to deliver significant change is restricted.

As Powys CC continues on its transformation agenda against the backdrop of ever decreasing budget allocation from the assembly, the role of BPR is set to become increasingly more important. Although consultants have a role to play, it is not sustainable to have to pay for external support every time we need to change something. Powys is therefore committed to building its own internal capacity through an awareness and development programme that aims to identify BPR Analysts within each service area, supported by a central team of Senior Analysts. This requires the flexibility that self-contained, internal capacity offers and resource has been allocated to concentrate on developing a robust training and development programme to achieve this.

Further Information

For further information on Powys' experience of undertaking business change, contact Andrew Durant – Project Manager (A2S Phase 2) on 01597 82 7777 / andrew.durant@powys.gov.uk or Peter E Jones – Programme & Performance Management on 01597 826441 / peter.e.jones@powys.gov.uk.

Citizen Programme - Monmouthshire County Council

Background

The Citizen Programme is aimed at improving services from the perspective of the citizen (or service user). The intention is to improve services in the 5 areas of the Assembly Government's citizen model:

- Citizen insight – gathering and using information from customers and citizens to improve services and developing new approaches for engaging with them;
- Customer service – improving how services are delivered and how they are accessed;
- Process improvement – improving processes to make sure services are delivered quickly, effectively and to high quality standards;
- Becoming a learning organisation – improving by learning from others;
- Developing everyone as a leader – empowering staff at all levels to be responsible for service improvement.

The Citizen Programme was developed by the Welsh Assembly Government following Making the Connections and the Beecham Report on improving local service delivery. This programme is being piloted on 2 sites – North Wales NHS Trust and Monmouthshire County Council. In Monmouthshire, an Assembly Government official was seconded to the Council for 6 months to facilitate and drive the programme.

Monmouthshire County Council was identified as one of the pilot sites because of its clear commitment to working with its citizens. The Council decided that the project should focus on the Housing Service. This was because the Department was currently in the process of transferring its housing stock and wanted support in transforming its remaining services.

The Approach

The approach is based around inspiring and challenging managers and staff to improve their service for themselves and to look at their service through the eyes of their citizens or service users. The programme aims to support staff in bringing about improvements and facilitators work closely with management and staff. It is a people centred programme that is not about finding improvement tools to support the change per se. It is more about helping people to look at the world in a different way. Essentially it is about changing mindsets.

The philosophy of working with and listening to citizens in order to improve services is at the heart of the programme. It is very much based on the idea of co-production rather than consultation. The detail of the programme was designed and run in partnership with Monmouthshire County Council. The key stages of the journey followed in delivering the programme are as follows:

Achieving Buy-in

This pilot has highlighted the importance of corporate buy in as well as in the targeted service area. Commitment amongst senior management has been vital. Indeed, the active involvement of Monmouthshire's Chief Executive has been a critical factor in the success of the programme.

Familiarising

This stage involved developing a profile of the Housing Service. The views of citizens and other stakeholders as well as management and staff were gathered and analysed.

Inspiring, Supporting and Driving

A crucial element to any change is empowering staff and releasing their potential to make changes. A workshop event was held to act as a catalyst for change. This enabled information gathered in the previous stage to be fed back so staff could see things from the citizen or customer perspective.

Staff were given training in "Lean" process mapping to help them make citizen focused changes to their processes

Cross team project groups were set up whose work has been ongoing since. In this context, the projects themselves are of secondary importance when compared with releasing the power of people to make change happen.

The key is that staff feel able to bring about improvements themselves that make a difference to people's lives. Projects helped overcome silo thinking and provided a framework within which ideas could be developed and delivered.

Action

The project groups initially focused on 'quick wins' that would make an immediate impact. This worked particularly well in energising the teams.

Staff used "Lean" techniques improve their processes. For example, they now courier lifelines to carers or clients to allow self installation where appropriate and have designed faster ways of processing homeless applications

The Housing Service gather feedback from clients and uses that to improve the service. For example, as result of customer feedback on home improvement grants, staff now carry out regular courtesy calls to let clients know how their application is progressing or to check that the work carried out met their expectations. In addition they have started to hold "forum" meetings with clients and again use that to improve the service. As a result of feedback from young homeless people, a number of interviews are held at hostels in a more conducive environments.

Staff were actively supported during this action phase

Evaluating and Re-energising

A follow up event has been held to celebrate and showcase successes so far and to re-energise the improvement process.   The event clearly demonstrated the improvement journey made by managers and staff alike. The challenge for the Housing Service is to continue the drive towards continuous and sustainable improvement.

Barriers

One of the major barriers faced by this project has been addressing resistance. One of the ways this has been overcome has been through finding managers and staff (change agents) willing to support change and using their energy and enthusiasm to drive it throughout the team.

In addition, the view that this was just "another initiative" needed to be overcome. Staff have been made aware that this is a key part of their day job and have been actively demonstrated what it is possible for them to achieve. The active participation and encouragement by managers has been a key factor.

Ongoing

This project has been hugely successful in garnering the enthusiasm and commitment from the Housing Service most of whom now see change as part of the day-to-day role.

This approach supports and drives continuous improvement. It has been part of a wider initiative to place citizens at the centre in Monmouthshire.

It has also been important to look at the wider systems within the organisation: what is in place to support the change and what can block it? Again corporate preparedness to look at these issues were key to the success.

The next phase of the programme has begun in the Revenue Collection Service and other areas are being actively considered

Further Information

If you would like further information on this Programme and / or the change processes used, please contact Trevor Samuel (01633 644802 or mobile 07973964894 trevorsamuel@monmouthshire.gov.uk /trevor.samuel@wales.gsi.gov.uk

<u>Cardiff Council / Cardiff Local Service Board</u>

Background

Cardiff Council in conjunction with Cardiff Local Health Board, Cardiff & Vale NHS Trust, South Wales Police, South Wales Fire & Rescue Service and Voluntary Action Cardiff were selected by the Assembly Government in March 2007 to become one of the six pilot Local Service Board areas.

There was an awareness by local partners that partnership working could be improved to increase collaborative activity and deliver more citizen-centred services . In order to address this, just before the introduction of LSBs in Wales, Cardiff had undertaken a detailed review of community planning. This review resulted in a complete overhaul of the community planning approach and the Proud Capital Vision Forum was established to provide strategic leadership. This was based around a more targeted, structured and action focused approach to community planning in Cardiff.

The introduction of this new approach was timely for WAG's invitation to local partnerships to participate in the pilot stage of LSBs.

Cardiff's LSB is unique in that it is made up of only public sector partners and the voluntary sector. It operates on two levels – a Chief Executive forum and an operational/project manager forum. Political representation is provided at the overarching Vision Forum level which sets the strategic direction for Cardiff's partnership agenda and Community Strategy.

The Approach

The whole LSB process has been a real journey for Cardiff Council and its partners and the progression of the Board and associated partnership working within the last 12 months has been significant – but it has taken some hard work and innovative approaches to achieve this.

The Cardiff LSB recognised early in the process that their success was heavily dependent on the establishment of new types of relationships and ways of working, shifts in organisational culture and the building of trust between key partners.

In order to address this requirement for cultural change, the LSB has undertaken a number of training events to bring partners together and develop relationships between them over the 12-months they have been operational.

These events used external facilitators to enable all partners and officers to fully participate in the sessions. A storytelling approach was adopted to enable LSB partners, associated partnerships and project managers to outline the issues of importance to them. Through this process, individuals took real risks and told their stories with honesty in a 'safe' environment whereby the blame was put to one side and partners felt comfortable to talk

about the critical issues in order to identify a solution. This process involved the Chief Executives of LSB partner organisations who encouraged project managers and operational staff to highlight the barriers impacting on progress so as improvements could be made. For this reason individuals feel much more comfortable raising issues to address key areas of concern. There is now a clear culture of honest conversations within the Local Service Board.

The storytelling approach facilitates greater openness and honesty. It is much easier to stand up and explain what the barriers are to the progression of a particular issue than it is to commit any potential criticism to paper.

One key result of these events was that each LSB Executive Forum member was given responsibility for championing a specific LSB project. This gave them a responsibility for reporting on project performance to the rest of the Board aswell as acting as a first point of contact for any issues around the project. This has had a dramatic effect on the ownership of the individual projects and the role of the LSB in facilitating the progress of these joint projects.

The process has also enabled continuous review of the LSB: how it is structured; the types and attendance at meetings; responsibilities of individual members, etc. This approach ensures that the roles and responsibilities of individual members along with the rationale for working in this way is constantly reinforced.

Whilst the events programme has played a part in achieving this, attribution for this change in organisational approach is not obvious. One thought is that because the LSB has a unifying end goal, all partners have quickly realised that they are striving to achieve the same objectives i.e. to deliver effective services for the citizens of Cardiff. In addition, the leadership of the Executive LSB has also been critical for promoting the work of the LSB throughout the individual partner organisations and for giving staff space and support to develop innovative thinking in relation to redesigning the way services are delivered..

This approach has been hugely successful and the cultural change achieved through the LSB process is facilitating effective working practices throughout the organisation.

Ongoing
In conjunction with its LSB partners, the Council is now exploring 'virtual' neighbourhood management roles within the Council to give each Operational Manager responsibility for one of the 6 Police determined neighbourhood areas as part of the wider Neighbourhood Transformation programme. This new approach involves the Police, Fire & Rescue Service and the voluntary sector and over a second phase it will also be rolled out to include the Local Health Board and NHS Trust. The purpose of this is to ensure that all LSB partners are collectively planning services and responding to the different priorities of neighbourhoods in a more joined-up way which both meets citizen needs and delivers the objectives of the Proud Capital Community Strategy.

One of the key success factors of the LSB approach in Cardiff has been a result of the pilot approach to LSB development. The flexibility allowed by such an approach means that each LSB has had space to develop in enabling key players to think outside the box and take account of local issues. A formalised framework for development of LSBs would stifle this process and any need to conform to specific 'standards' means that this local approach would be lost.

The action learning enquiry approach to the development of LSBs has proven itself a real success. It is vital in that it has enabled authorities to work things through in their own ways recognising the very different cultural barriers faced by each organisation involved in the process.

Authorities need to continue to be given the space, capacity and resources to undertake activity – they already know how to achieve things.

Another key success factor has been the recognition that small steps can have as much impact as big bangs. The work of Local Service Boards is about targeting resources to areas of most need rather than eating up more scarce resources.

Further Information
If you would like further information on this Programme and / or the change processes used, please contact Rachel Jones – Strategy & Partnerships Manager (029 2087 2678 or RacJones@cardiff.gov.uk)

6.   Conclusions, Recommendations

6.1   It will be recalled from Chapter One that this project has had a number of objectives including compiling a body of wok on which Welsh local authorities can draw to identify the appropriate business change methodologies for their specific project. This is mainly addressed in the 'Technical Report' and 'Directory of Methods'.

6.2   We focus here primarily on requirements "*to conduct primary research to provide a core resource setting out the current levels of business change activity and expertise that exists in the Welsh local government community";* and "*make recommendations as to how these resources might be used to drive future business change projects in local government in a way that develops the in-house skills base and mechanisms for knowledge transfer within and between authorities"* – including "*an analysis of the range of business change skills in local authorities in Wales… how to develop a core set of business change expertise in Welsh local authorities that can form the basis of a shared and universally available resource, including what action the Assembly Government might take at a national level to improve the capacity, capability and skills transfer into and between local authorities".*

Conclusions

6.3   There is already significant business change activity taking place across local government in Wales. The majority of this change is taking place at a service rather than a corporate level, often driven by the need to address a specific cost or quality issue.

6.4   At a more strategic level, there are now many examples of wider policy agendas being addressed - making services more citizen focused; partnership and collaborative working; and changes to ways of working and structures to meet efficiency targets.

6.5   Although we found that most business change is happening at the service level, a lead from Chief Executives, other senior corporate staff (particularly HR, Finance) and elected members is both important and generally available.

6.6   Many challenges are apparent, however, with communicating the need for change and the sheer scale of what is required prominent at an individual organisation level. Coordination into a single 'programme' across large parts of an authority is rare, but

it is important to note that making changes to all customer-facing enquiry operations, say, involves staff numbers similar to those working in the whole of a substantial local business. Training in project management, personal development, leadership development and other capabilities can be seen as making an important investment in necessary 'infrastructure' for managing change more effectively in the future.

6.7   Not all authorities necessarily seek an overall strategy for achieving change. With increasingly devolved decision-making, how managers work with their staff to deliver new targets and styles of working can be delegated too: "*We want people to look at what's being done, why it's being done, what's not delivering the best service for the money – if they want to call it BPR or 'Lean' is up to them.*"

6.8   Similar points apply to varied practices over whether to identity any corporate preferences for particular approaches, or "*Give people some techniques to draw on as part of good day-to-day management – not talk about 'initiatives' or anything with a badge on it*".

6.9   Whether these flexible, perhaps opportunistic and partly 'covert' models will need to be supplemented by more structured and identifiable methods in future is more difficult to say.

6.10   At a pan-Wales level, some coordinated attention to 'change' takes place through the WLGA Regional Partnership Boards, the Shared Services Project and other regionally collaborative projects. This activity is driving a more collaborative approach to working in local government in Wales and is sharing best practice and addressing common issues – but these are early days.

6.11   In the examples of business change we encountered, the starting point was usually addressing a specific issue. This could well be quite limited (e.g. 'how to get better information to front-line staff from back-office systems?'), but soon leading to the realisation that more fundamental changes are needed. Authorities tended to approach an issue in a rational way by unpicking the service and then addressing the different elements important in any change process: structures – usually systems, customers/ citizens/ users, staff and, technology. Specific business change methodologies sometimes prompted decisions about 'where to look' but might equally be identified late in the overall process, sometimes not (formally) at all.

6.12   The methodologies most widely mentioned were based around the Lean or BPR approaches. Generally these methodologies have not been implemented in their entirety and it is possible to claim that benefits have been lost as a result. Others have argued that a flexible approach has allowed incremental change, adjustment to changing priorities and a good deal of 'learning by doing'.

6.13 A number of authors have suggested that ISO 9001, IiP, the EFQM/BEM, Excellence Wales and other standards / awards are not, perhaps, part of 'mainstream' business change thinking, but there is no doubt of their widespread application within Welsh local authorities. For several interviewees, these standards/ awards can actively benchmark, trigger or reinforce the need for business change.

6.14 Staff engagement and commitment is widely seen as vital: through a programme involving training, communication and empowerment, a number of authorities have used their staff to drive and deliver service improvements (see Monmouthshire County Council and Powys County Council case studies).

6.15 The research identified a number of barriers to effective business change, including the short-term financial implications. Examples of 'innovation' or 'invest to save' funds came to light to overcome this.

6.16 'Hearts and minds' factors are clearly crucial, to overcome elements of cultures with strong aversion to risk and a lack of innovation.

6.17 There is a perception that the Assembly Government has limited understanding of the complexities involved in initiating change within local government, not acting as an exemplar and slow to support authorities through this process and / or reward innovation and change.

6.18 It was striking to note that a lack of understanding of business change methodologies was **never** raised as a barrier to effective business change without prompting. From a critical standpoint, this might imply people 'not knowing want they don't know' but this seems far too harsh. Nearly all the interview and survey respondents said they would welcome additional support in this area - as long as it took account of the 'real life' operational and strategic contexts.

6.19 Consultants are being used by Welsh local government to add to capacity and expertise, but again not in a coordinated way.

Recommendations

6.20 In a position where there is great need for business change in local government (and elsewhere in the public sector); steadily growing experience of implementing change management programmes, but no clear 'preferred route' nor much in the way of coordination or systematic learning from experience, our recommendations fall under five headings:

- **Learning from practice**: assessing and sharing what works well/ less well – perhaps through systematic sharing of key points or formative evaluation of

selected change management initiatives. Web-based support may be appropriate and could be an effective vehicle for commenting on and updating the Directory of Methods.

- **Facilitating a 'community of practice'** through which those involved with implementing change management might met, exchange views, provide support, maybe work together on cross-agency assignments.

- **Developing suitably skilled and managed external support**: Consultants have been able to add expertise and capacity, but need to have the right experience and capabilities and understand the current public sector context in some depth. PSMW might offer a suitable framework.

- **Facilitating skills development**: Business change management skills are notoriously challenging to develop off-the-job, but understanding key tools and techniques is amenable to formal development programmes. Under this heading might come mentoring, job rotation, secondments, etc.

- **Pilot schemes and pump-priming:** faced with tightening financial circumstances it is often difficult for local authorities to 'spend to save'. if it seems that innovative approaches, from which others might learn, could be trialled, a specific resource pool (to include expertise as well as funding) might usefully be set up by WAG – with specific approaches to be appropriately evaluated and disseminated in due course.

7. References

1. Grint, K., TQM, BPR, JIT, BSCs and TLAs: managerial waves or drownings? Management Decision. London: 1997. Vol.35, Iss.10; pg. 731