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**From New Public Management to Lean thinking:
understanding and managing ‘potentially avoidable
failure induced demand’.**

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Doctor of Philosophy

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September 2009

I hereby declare that this thesis has not previously been submitted, either in the same or different form, to this or any other University for a degree.

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Doctor of Philosophy

From New Public Management to Lean thinking: understanding and managing ‘potentially avoidable failure induced demand’.

SUMMARY

The central objective of this thesis is to investigate, understand and explain the conditions under which the administrative problem known as *potentially avoidable failure induced demand (PAFID)* arises in UK public services and might be prevented. PAFID is defined as “customer contacts that appear to be precipitated by earlier failures, such as failures to do things right first time, which cause additional and potentially avoidable demands to impinge upon public services”. A secondary objective of the thesis is to establish how, and under what better conditions, the public sector could successfully exploit the management paradigm called Lean thinking, as an alternative to the current New Public Management method, in order to address the PAFID problem.

An analysis of the results from three case-studies conducted in UK local authority settings confirms that nearly half of all customer contacts in high-volume services such as housing benefits are potentially avoidable. The extrapolation of this finding to the contact volumes and handling costs in one UK council alone suggests possible savings of more than £1 million a year. The potential benefits that are available to the case-study councils and nearly 500 other local councils, together with numerous other providers of UK public services, are also very substantial.

A variety of conceptual lenses are applied to the PAFID problem in order to generate alternative explanations and policy options. This thesis makes a number of contributions to public sector management theory and practice, including the finding that councils might reduce principal-agent problems that add to PAFID by espousing more supportive and enabling environments, and by adopting systems-oriented approaches that acknowledge the complex and subjective nature of real-world problems. The findings also suggest that, while the deployment of Lean ‘tools’ can result in short-term savings and performance improvements, the adoption of Lean thinking as a comprehensive management approach is more likely to bring about fundamental changes.

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Dedicated to my wife Afssaneh Masters, with love and thanks.

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LIST OF ACRONYMS

5S	Sort, simplify, sweep, standardise, sustain
AO	Assessment officer
BBC	British Broadcasting Corporation
BC	Before Christ
BSI	British Standards Institute
CANDO	Clean up, arranging, neatness, discipline, ongoing improvement
CIPFA	Chartered Institute of Public Finance and Accountancy
CIS	Computer Information System
CoCo	Code of Connection
COI	Chief Information Officer
CRM	Customer Relationship Management
DCLG	Department of Communities and Local Government
DIKW	Data, information, knowledge, wisdom
DNA	Deoxyribonucleic acid
DSS	Department of Social Security
DWP	Department for Work and Pensions
EU	European Union
F2F	Face-to-face
FAQs	Frequently asked questions
FiFo	First in first out
FIL	Further information letter
GCSx	Government Connect Secure Extranet
GDP	Gross Domestic Product
GPC	Guaranteed Pension Credit
HB	Housing Benefits
HBF	Housing Benefits application form
HM	Her Majesty
HMRC	Her Majesty's Revenue and Customs
ICT	Information and Communication Technology
IDeA	Improvement and Development Agency
IIB	Invalidity Benefit
IRRV	Institute of Revenues Rating and Valuation
IS	Income Support

List of Acronyms (continued)

IT	Information Technology
JSA	Jobseeker's Allowance
LA	Local authority
LAID	Local authority input document
LHA	Local Housing Allowance
MBC	Metropolitan Borough Council
NHS	National Health Service
NI	National indicator
NPM	New Public Management
ODPM	Office of the Deputy Prime Minister
PAFID	Potentially avoidable failure induced demand
PAYE	Pay As You Earn
PC	Personal computer
PD	Policy Deployment
SMS	Short Message Service
SPRU	Science Policy Research Unit (University of Sussex)
SSP	Statutory Sick Pay
TPS	Toyota Production System
UK	United Kingdom
US	United States
USA	United States of America
USB	Universal serial bus
WSASP	West Sussex Accessible Services Partnership

CHAPTER 1: INTRODUCTION

UK central government is constantly seeking to focus scarce resources on priority public services such as health and education. In recent decades, the struggle to control rising expenditure, meet increasing customer expectations and counter declining public satisfaction has been waged under the banner of New Public Management (NPM). NPM espouses public sector reform through the application of private sector techniques such as market testing, service automation, performance management and the incentivisation of staff. Government has invested heavily in, and placed a high degree of reliance upon, one particular strand of NPM philosophy: the e-Government agenda. This mandates the increasing deployment of Information and Communication Technology (ICT)¹ in public sector services to improve performance and reduce costs.

However, in this thesis, I argue that the e-Government agenda is unlikely to deliver improvements and savings on the scale (or in the timescales) mandated by central government. Among the explanations identified in this research are: in recent experience, ICT projects are more likely to fail than to succeed; insufficient attention has been paid to information security; and high levels of government investment are not sustainable.

The NPM method is widely perceived as being harmful to government IT performance. For example, e-Government is characterised as a prescriptive, top-down approach that has resulted in conformance to centrally imposed targets, instead of producing genuine performance to desired standards. Consequently, I assert that ICT-based systems built upon modernist managerial assumptions alone cannot be relied upon to produce the required changes and that alternative solutions are needed. I also maintain that government's approach to ICT is disguising the potential of other less costly and lower risk solutions. For example, this dissertation will provide evidence to show that a significant proportion of the many customer contacts that impinge upon some UK public services are caused by previous failures that might have been prevented. The name *potentially avoidable failure induced demand (PAFID)* is used to describe these transactions, which are defined here as “customer contacts that appear to be precipitated

¹ Technology that captures, stores, processes, transmits and displays data and information electronically.

by earlier failures, such as failures to do things right first time, which cause additional and potentially avoidable demands to impinge upon public services”.

The central objective of this research is to investigate, understand and explain the conditions under which PAFID arises in UK public sector services and how it might be prevented. A secondary objective is to explore the potential applicability in the public sector of a new management approach called Lean thinking as a means of managing PAFID. The three Research Questions that this dissertation addresses are:

- Q1. What is *potentially avoidable failure induced demand* and why does it occur in public service delivery?
- Q2. What does an examination of the failure mode tell us about improving the exchange process, diagnosing avoidable failure and resolving it ‘ex ante’?
- Q3. How and under what better conditions could the public sector successfully exploit Lean thinking in order to manage *potentially avoidable failure induced demand*?

I employed a case-study approach, because it provides a flexible research design that accommodates both quantitative and qualitative techniques. Put simply, it was anticipated that quantitative research would reveal what was happening but that qualitative research would be needed to explain why. The research focused upon selected sub-components of public agencies, namely housing and council tax benefits services administered by local councils on behalf of central government in England. Local councils are more bounded in terms of size and policy than central government services and there was anecdotal evidence (described in Chapter 2) that housing and council tax benefits services suffer high levels of PAFID. Three types of local council administer these benefits and one example of each was investigated - a district council, a unitary council and a London borough council.

I am a part-time student in full-time work, with more than 35 years experience of public service delivery and more than 20 years service in senior management. Consequently, it was necessary to strive for maximum economy of time and effort by restricting the

selection of case-study sites to councils in south-east England. This region has a range of councils in terms of size, diversity and prosperity that provide some basis for generalisation. Government argues that “what happens in a contact centre is so often indicative of an organisation’s overall service delivery capability” (HM Treasury, 2007b, 15). As corporate contact centres and customer relationship management strategies are currently at the heart of UK public sector service provision, the empirical stage of this research focused upon housing and council tax benefits services that could be observed in contact centre environments, at the interface between customers and service providers.

Three councils fulfilled the criteria outlined above and responded with enthusiasm for the project. Here they are called Councils A, B and C. Pilot work was conducted in Council P. The selected cases facilitated the identification of PAFID and, by developing a better understanding of the phenomenon in housing and council tax benefits services, enabled an appreciation of how PAFID is likely to be affecting other councils and large scale transactional services such as those administered by the Department for Work and Pensions, the Child Support Agency, the Courts Service and Her Majesty’s Revenue and Customs.

Contact centres strive for high levels of first time resolution. The ‘one and done’ mentality that they employ is similar to the ‘get it right first time’ philosophy underpinning Lean thinking, which is derived from the Toyota Production System and earlier management paradigms. Lean thinking is typically deployed to prevent defects, remove waste, eliminate non-value-adding activities, and improve performance (Bicheno, 2004, 14). The effort to address customer contact handling problems in the UK public sector is not unprecedented and the resolution of these problems has become associated with Lean thinking. However, much of the evidence regarding Lean thinking’s effectiveness, and the extent to which it has penetrated the public sector, remains anecdotal. The literature reveals a deficiency of research and understanding, which this thesis seeks to reduce.

Management consultants are already developing and implementing improvement programs for the public sector that claim to embrace Lean principles but according to David Welsh of Impower Consulting these initiatives amount to little more than

business process mapping by another name (personal communication, 23rd January 2007). If correct, this is unfortunate because (as this thesis will explain in Chapters 2 and 3) according to the literature Lean thinking is more than a collection of management tools. John Seddon at Vanguard Consulting (Seddon, 2005, 2008) and the Scottish Executive in conjunction with the University of Warwick (Radnor et al., 2006) have made useful forays into this territory (the improvement of public service delivery from Lean thinking perspectives), but this dissertation argues (in Chapter 3) that further work is needed.

The findings of this thesis are evaluated for their transferability to UK public sector services in general, where they may generate ‘third stream’ activities, such as those that the Lambert Review has encouraged and recommended as a component of academic entrepreneurialism (HM Treasury, 2003).

Chapter 2 develops the argument that an over-reliance on centrally imposed technological solutions to make UK public sector services more efficient is disguising the potential for improvements driven by other approaches, such as the reduction or eradication of *potentially avoidable failure induced demand (PAFID)*. Concepts such as electronic service delivery, modernism and hyper-modernism are explained, and some characteristics of customer contact are explored to enhance our understanding of service delivery failures and how they might be prevented.

Chapter 3 explores several different theoretical perspectives and approaches in order to inform the research and assist with the development of new insights. These include New Public Management and e-Government, Lean thinking, agency theory, innovation and change management, knowledge management, and organisational learning. This chapter also draws out points of congruence and contrast between NPM and Lean thinking, because an assessment of the strengths and weaknesses of the NPM method, and the potential of Lean thinking to address key reform issues like PAFID, are key aspects of this thesis. The printed and electronic resources of the British Library, the West Sussex Library Service, and the University of Sussex were employed to facilitate this review.

Chapter 4 clarifies the principal purpose of this thesis, which is to investigate, understand and explain why *potentially avoidable failure induced demand (PAFID)*

occurs in UK public sector services, and how it might be prevented. It presents the specific questions that the research seeks to answer, describes the case-study method that was adopted to explore the issues under consideration, and details the pilot work that was undertaken to test and enhance the research design. The pilot study was conducted in a corporate contact centre run by Council P, where I was assisted by the management and staff who were administering housing and council tax benefits services.

Chapter 5 describes the collection and validation of data captured during three case-studies conducted in local authority settings, specifically housing and council tax benefits services dealing with high-volume customer enquiries in contact centre environments. Each of the case-studies was divided into four phases: document review, non-participant observations, semi-structured interviews, and customer journey mapping. Management and staff in each of the case-study councils helped me to observe and analyse customer contacts, and they participated in the interviews and mapping exercises. A range of precautions (developed during the pilot work) were employed to guard against potential methodological problems. The output included a multiplicity of explanations and suggestions for ways in which the PAFID problem might be addressed, and Lean thinking might be successfully exploited.

Chapter 6 compares and contrasts the findings from the case-studies to further illuminate the PAFID problem. It also reveals the characteristics that may determine the extent to which generalisability can be inferred from the conclusions.

Chapter 7 inter-relates the primary and secondary research, including the relevant theoretical literature, in order to summarise the argument regarding NPM, Lean thinking and PAFID. It discusses policy options, and notes the contributions that the thesis makes to our knowledge about the delivery of public services.

Chapter 8 summarises the conclusions and policy implications that can be drawn from the research described in the thesis. Comments about recent developments and suggestions for further research are presented.

CHAPTER 2: BACKGROUND

Introduction

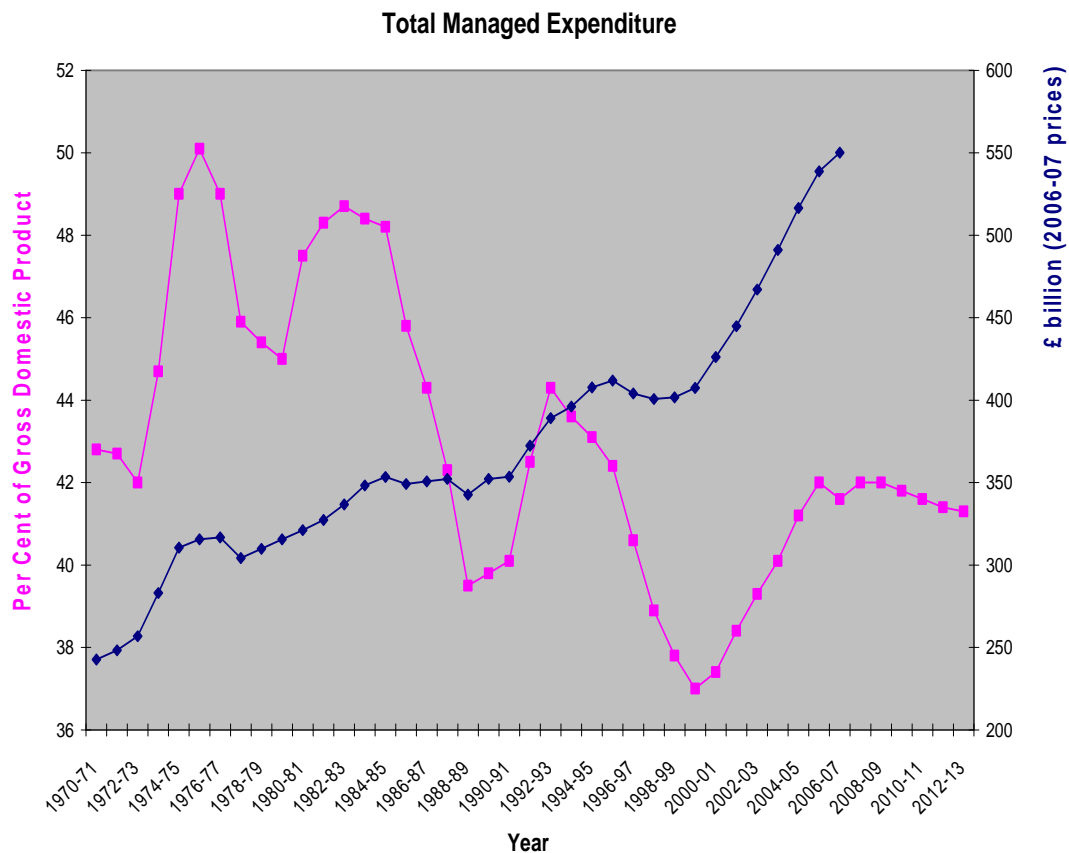
In this chapter, I maintain that ICT-based systems built upon modernist managerial assumptions alone cannot be relied upon to produce required public service improvements and cost savings. I will argue that an over-reliance on Information and Communication Technology (ICT), adopted with the aim of making UK public sector services better and more efficient, is disguising the potential for productivity and performance improvements driven by other approaches, such as the reduction or eradication of unnecessary and potentially avoidable customer contacts.

In order to set the context for my argument, I will first describe the scale of UK public expenditure and the efficiency gains mandated by central government. I will then explain key concepts including electronic service delivery (e-Government), modernism and hyper-modernism. Finally, I will identify some characteristics of customer contact that could be investigated using these ideas in order to enhance our understanding of service delivery failures and how they might be prevented.

UK public expenditure

There are 494 local authorities in the UK, plus numerous other central government services and public sector associations and organisations (Municipal Year Book 2005). **Figure 1**, below, shows that by 2006, total UK public expenditure exceeded 40% of Gross Domestic Product, and its cost was more than £500 billion a year.²

² The impact of the subsequent financial crisis and world-wide recession is described in Chapter 8, page 241, in the section entitled 'Recent developments'.

Figure 1: UK Total Managed Expenditure

Source: HM Treasury (2007a) 'Pre-Budget Report and Comprehensive Spending Review: the economy and public finances – supplementary charts and tables', available online at http://www.hm-treasury.gov.uk/d/pbr_csr07_economy907.pdf accessed 20/06/09.

Central government requires efficiency improvements³ throughout the public sector – but such exhortations are not new. Forty years ago, Peter Drucker was arguing that we could and should improve the efficiency of government (Drucker, 1969, 231). Thirty-five years later, Sir Peter Gershon led a review that aimed to reduce bureaucracy and move resources to the front line (HM Treasury 2004). Gershon identified potential efficiency gains of over £21 billion a year by 2007-08 across the public sector, over 60% of which were to be cash savings.⁴ As Margetts (1999, 165) points out: “At first glance information technology would appear to facilitate the [required] modernisation process ...”. For these reasons, the next section of this chapter describes the UK’s e-Government project.

³ In this context, efficiency means reforms to delivery processes that achieve reduced inputs for the same level of outputs or additional outputs for the same level of inputs (HM Treasury, 2004).

⁴ The chancellor of the exchequer subsequently extended the programme, demanding 2.5% annual efficiency savings but then increasing the target to 3% and subsequently 4% per annum.

Electronic service delivery (e-Government)

Central to the delivery of public services in the UK is electronic delivery, embodied in the relatively new concept of e-Government. According to Flowers et al. (2005), its main purpose is to deliver joined-up government using ICT to achieve better co-ordination and co-operation between departments and agencies. Other definitions of e-Government are available including:

“... the use of technology to enhance the access to and delivery of government services to benefit citizens, business partners and employees” (Silcock, 2001, 88)

“... the use of information and communications technologies to improve the functioning of government” (Jain, 2004, 1)

“... the growing application of ICT in the public sector, with particular emphasis on their application for service delivery” (Flowers et al., 2005, 52)

“... almost any use of Information and Communications Technology by a public sector body” and “... the use of ICT to support the delivery of public services, democratic participation and public policy making” (Irani and Elliman, 2007, 23).

A paper entitled ‘Modernising Government’ contained guidelines for introducing new technology to deliver UK public services (Prime Minister and Minister for the Cabinet Office, 1999). A strategic framework for public services in the Information Age appeared the following year and by 2001 a timetable had been devised to secure joined-up electronic service delivery. A national strategy for local e-Government eventually emerged (Office of the Deputy Prime Minister, 2002). Indeed, by 2002 some commentators were already maintaining that the UK’s e-Government policy had been largely successful (Booz Allen Hamilton, 2002).

Central government claimed to have invested £675 million in local e-Government during the period 2000 to 2005, to support the electronic enablement⁵ of public services

⁵ The Society of Information Technology Management argued that the government’s emphasis on achieving the 100% enablement of all services was unreasonable and contrary to normal principles for securing value for money (E-Government Bulletin, 2003. Mystery of the missing priorities. *e-Government Bulletin*, 139, 20 June).

such as libraries, environmental health, planning, electoral registration, local tax collection, and housing and council tax benefits (Department for Communities and Local Government, 2006, 139). The local government minister exhorted councils to constrain council tax bills and improve services by exploiting savings from e-Government⁶ (Conrad, 2004). Local government was obliged to implement the new technologies in line with a regime of Priority Services and Transformation Outcomes mandated by central government. The potential efficiency gains were said to be considerable, and front-line services were reported to be able to use re-deployed resources arising from the initiative as early as 2005 (Office of the Deputy Prime Minister, 2005, 20).

It is possible to identify some positive claims for the applicability of e-Government. For example, Dunleavy et al. (2006) refer to the central role of computerised information systems in modern government. They document a number of useful applications, including: online web and e-mail facilities for customer enquiries; government records (including property rights databases, and immigration and citizenship records); computerised tax forms; management information systems; courts and penalty systems; tax and welfare benefits databases; and web-enabled contact centres (Dunleavy et al., 2006, 20). Other applications that have made things easier, more cost-effective and time-saving for citizens would include: inter-agency information sharing; online access to information and records; and e-commerce applications such as renewing licences, booking facilities, paying charges and receiving payments.

However, the literature reveals that early optimism regarding the transformational effect of electronic service delivery was misplaced. For example, Margetts acknowledges that the tools of government rely heavily upon IT systems and that politicians see IT as a panacea for the problems of administration (Margetts, 1999, 162). Never-the-less, she rejects the modernist approach and asserts that there is little evidence to suggest that a process of overarching transformation is taking place, or that government is “...

⁶ The minister was referring to the electronic delivery of services through innovations such as the Internet, digital television, e-mail, text messaging, video conferencing, contact centres and Customer Relationship Management systems. Other ICT initiatives being progressed at that time included document management systems, mobile working, smartcards and e-procurement (see for example the former ODPM's 'Local E-gov' website, which is available online at <http://web.archive.org/web/20041211020500/www.localgovnp.org.uk/default.asp?sID=1093959861672> accessed 21/06/09).

embarked upon some kind of progress towards a modernised, up-to-the-minute state” (Margetts, 1999, 184). The author characterises writers who believe that IT will transform the central state, according to their view of the consequences. At one end of the spectrum are the anti-modernists, who believe that IT is driving us toward the ‘control state’. At the other extreme are the hyper-modernists, the “technological utopians who see information technology as the central enabling element of a utopian vision” (Margetts, 1999, 165). The concept of hyper-modernism is subsequently employed by Dunleavy et al. (2006, 94) who argue that the scale of the expenditure on government IT modernisation has been so large as to support the view that the UK government is hyper-modernist in this respect (see *Figure 2* below).

Figure 2: Hyper-modernism



Cover illustration from ‘Better Public Services through e-Government’, a report by the Comptroller and Auditor General, published in April 2002. Reproduced with the permission of the Office of Public Sector Information.

In 2005, only 38% of the UK population used an e-Government service (broadly the same as 2004), and postal communication remained very popular (Timmins, 2006a). The range of technological opportunities became so great that IT was viewed by some as “... a solution looking for problems” (Tidd et al., 2005, 49), and customer satisfaction with public services continued to decline (Golding, 2007). Meanwhile, claims that public sector efficiency targets detailed in the Gershon Report (HM Treasury, 2004) were being met or exceeded (Burton, 2006; HM Treasury, 2007a, Ch.3, 42) were met with scepticism. In 2007, the National Audit Office reported that only 26% of the total savings claimed by central government departments since the baseline of 1st April 2004 were actually being delivered (National Audit Office, 2007a). This was partly because the professed savings from electronic transactions were largely notional (Department for Communities and Local Government, 2007a). The scheme recorded efficiencies from 2004 onwards, but did not assess the savings made previously, so it was not clear whether councils generated more or fewer efficiencies than before. The programme accounted for successes (where councils made savings), but did not quantify the effect of services that became less efficient.

It appears that the prospects for meeting centrally imposed efficiency targets through the installation of ICT-based systems alone were never strong. Moyer (2007) asserted that most of the efficiency targets identified by Gershon (HM Treasury, 2004) would not be possible without mandating that legacy channels (such as telephones and face-to-face) should give way to the Internet. If the volume of electronic public business does eventually increase so that opportunities to realise significant savings do arise, political sensitivities might prevent those anticipated savings from being realised. For example, the closure of local offices might be unacceptable to elected members if they perceive that it is disadvantageous to those who do not have access to technology, while the retention of a physical presence might be considered important for the preservation of civic identity.

Margetts describes how interactions between citizens and government may start off being computerised but quickly revert to the forms they had before computerisation, as soon as transactions progress beyond the initial enquiry stage (Margetts, 1999, 28). In 2008, a cursory examination of public sector websites reveals that electronic service delivery is still a work-in-progress. For example, an enquiry on the DirectGov website

(www.direct.gov.uk) about a replacement driving licence was met with the response that an application form should be obtained from the Driver Vehicle Licensing Agency or a local Post Office. In the same year, an attempt to register to vote was blocked by a security alert announcing that the security certificate was invalid and it was not possible to complete an online application. A form had to be printed, completed and sent by post to a local council. Also in 2008, none of the thirteen local councils in East and West Sussex offered the facility to submit electronic applications for housing and council tax benefits.

E-Government's offspring, 'transformational government', is about customer-centric services, shared services and IT professionalism (Cabinet Office, 2005). The strategy, which focuses on technological change and value for money, asserts that electronic transactions should be the norm, but the Parliamentary IT Committee has warned that the approach is unrealistic because transformation will take longer and cost more than projected. Margetts and Willcocks (1993, 56), when discussing the risks involved in the use of IT for public service delivery, argue that these technologies "... cannot be used as a straightforward cost cutting tool in isolation from the rest of the administration".

Bannister (2006) maintains that employing the word 'transformative' to describe what is going on in e-Government "... is to overstate, by a large margin, what is actually happening". Irani and Elliman (2007, 4) explain that, in international academic circles and the literature, e-Government remains the preferred term. Bannister (2006) says that e-Government is an adequate description for this expanding and exciting field of research, and dismisses the expression 't-Government' as "verbal inflation", i.e. a tendency to think of evermore grandiose words to describe the same things. Consequently, in this thesis, I will continue to use the expression 'e-Government' to describe the use of ICT to support the delivery of public services and democratic participation.

That opportunities exist for achieving service transformation through investment in ICT may seem tautological but, in a study aimed at identifying areas for future e-Government research, it emerged as the creator of numerous problems (Irani and Elliman, 2007, 6). For example, in a survey, some 80% of local councils in the UK said that the use of wireless technology (such as hand-held and wireless-enabled laptop

computers) would help them to achieve efficiency savings⁷ (Mobile Data Association, 2007) but O'Brien, chairman of the technology group at KPMG, maintains that "there are huge, huge [data security] risks in mobile working" (O'Brien cited in Cane, 2007a).

The Housing Benefit and Council Tax Benefits (Electronic Communications) Order 2006 permits local councils to accept online benefit applications but little use has been made of the facility because of security concerns following the closure of Her Majesty's Revenue and Customs (HMRC) website portal (at <http://www.hmrc.gov.uk>) after fraudsters stole 13,000 identities to make fraudulent claims for tax credits (Bailey, 2007). Following an investigation into the loss of two compact discs containing the personal details of some 25 million Child Benefit claimants, the Independent Police Complaints Commission found that HMRC's processes for handling sensitive data were "woefully inadequate" (IPCC, 2008). The Electoral Commission called for an end to trials of electronic counting and voting until concerns about strategy, procurement, preparation, security, transparency, technology, public confidence, and accessibility were resolved (Electoral Commission, 2007). While these problems are not directly created by ICT, the technology has allowed security breaches to happen on a very large scale as a consequence of simple carelessness.⁸

The UK government may have invested heavily in ICT initiatives from 1999 onwards, but it appears that "the results did not match the rhetoric" (Dunleavy et al., 2006, 80). A succession of high-profile public sector IT projects failed, and measures such as Gateway Reviews, taken to improve delivery following publication of the McCartney Report, have not remedied the situation (Cabinet Office, 2000). For instance, the Child Support Agency's new computer system was called a "£456m fiasco" (Thomas, 2003), while the implementation of the Customer Management System within Jobcentre Plus was described as seriously flawed (Public Accounts Committee, 2006). A long-delayed computer system for the Magistrates' Courts tripled in cost and was expected to be partly obsolete by the time it was implemented (Eaglesham, 2006).

⁷ London's Waltham Forest Council agreed a contract with British Telecom to supply wireless technology that should allow anybody to communicate from wi-fi enabled devices anywhere in the borough (see <http://www.walthamforest.gov.uk/index/council/about/transforming-government.htm> accessed 28/06/09).

In 2006, a new electronic passport application service called EP2A failed, causing delays affecting thousands of customers (Braithwaite and Eaglesham, 2006). At the same time, incompatible IT systems were delaying millions of pounds of savings in health and social care services (Golding, 2006). The National Health Service was planning to spend some £20 billion over the following decade to create an electronic patient records system but there was confusion about what the programme covered and progress was then more than two years behind schedule (Timmins, 2006b). More recently, thousands of junior doctors protested against deficiencies in a new online Medical Training Application Service (Copping, 2007).

There is evidence that IT projects are more likely to fail than to succeed (IT Cortex, 2004). A survey of respondents that included local, state and federal government in the United States revealed that: for every 100 projects that started, 94% had to re-start; average cost overruns ranged from 178% to 214%; and the average time overrun was 222% (The Standish Group, 1995). The principal reasons why projects failed were said to include lack of user involvement, insufficient management support, incomplete specifications, changing requirements, unrealistic expectations, and technological incompetence. Barker (2007) says that failure to derive expected benefits from IT systems is legendary, while Heeks (2001, 165) argues that the success or failure of e-Government initiatives depends upon the size of the gap between current realities and system design concepts, the risk being greatest when the gap is large. For example, information systems designed for private sector use may be based upon design concepts that do not match public sector realities, and may thus be more prone to failure.

Why have public sector managers not intervened to prevent these problems? Horn et al. (2006) explain how psychological biases can make it difficult for executives to abandon failing projects. They argue that well-run organisations routinely assess whether projects are meeting expectations and, if they aren't, decisions are made about shutting them down. Each stage in the decision-making process is vulnerable to 'cognitive biases'. Confirmation bias involves seeking out information that supports continuation of the project and ignoring information that does not. The sunk-cost fallacy is

⁸ Chapter 8 contains a brief description of recent information security requirements imposed on local councils by central government because councils need to access the Government Connect Secure Extranet (GCSx) in order to exchange information.

characterised by a focus on resources already spent, when attention should be concentrated upon the potential return of any further investment. Escalation of commitment can result in additional investment in failing projects, while anchoring and adjustment refers to the failure to revise earlier expectations and valuations.

Venkatramen (1994) asserted that only marginal benefits could accrue from superimposing ICT on existing organisational conditions. In 2002, commentators were already warning that the rush to get all UK public services online by 2005 was preventing sufficient consideration of how those services could be re-designed (Booz Allen Hamilton, 2002, 140). Government's own Office of Commerce maintained that technology would only deliver a small proportion of the required savings (Carroll, 2004b). Creese (2006) said that public service providers had to focus on organisational change and process improvement to deliver the services that people wanted, if the billions of pounds spent on e-Government were not to be wasted.

Seddon (2003, 195) argued that the UK government was making the same mistakes as the private sector in its insistence that local authorities should invest in ICT to manage relationships with the people they serve, when a better way is "... to firstly improve the services". Sir David Varney made a similar point, arguing that the imposition of technology does not work if the services are not designed properly in the first place.⁹ He went on to say that recent levels of government investment in public sector technology were not sustainable, and that attention should be focused on the improvement of services (personal conversation with Sir David Varney, Kable Event 'Transforming front-line service delivery', London, 27th March 2007).

The potential that this thesis identifies for less complicated, technological, risk-laden, and costly approaches to public service improvement lies at the heart of the dissertation. The next section of this chapter introduces one such opportunity: the eradication or reduction of an administrative problem that I call 'potentially avoidable failure induced demand'.

⁹ Heeks (2001, 165) describes the development of a public sector management information system in the USA that was based upon the organisation's existing processes. Many of these processes were "fouled up" and automating them simply helped to create a system that remained ineffective - but (according to Heeks) it was more quickly, expensively and voluminously ineffective.

The framing of ‘potentially avoidable failure induced demand’ (PAFID)

In Chapter 1, and in the first part of this chapter, I highlighted the central problem with the delivery of UK public services and with e-Government as a means of ameliorating service delivery problems. This section explains how I arrived at the concept of *potentially avoidable failure induced demand (PAFID)* by inter-relating and expanding upon previous notions of service failure such as non-value work, avoidable contact and failure demand - and how a method for investigating the phenomenon was identified. The section concludes with a discussion about the potential benefits of waste prevention, and the possible cost savings available to local councils.

Precursors of PAFID: failure demand and avoidable contact

Cane (2007b) points out that “there are thousands of ways to improve the customer experience, many of them involving little technology and little cost”. Seddon (2003, 195) makes a similar point, explaining that 40% of customer contacts into a local authority housing repairs call centre were attributable to previous failures to get things right first time, the solution to which was improving the service, not investing in ICT. In areas such as housing and council tax benefits services,¹⁰ Seddon maintains that this so-called ‘failure demand’ could be as high as 86%, i.e. 86 out of every 100 customers seen on any day need not have been there if proper actions had occurred earlier. Seddon also draws a distinction between ‘value work’ (work that matters to the customer) and ‘non-value work’,¹¹ and designates the latter as the source of ‘failure demand’.

There is a problem with the idea of failure demand as envisaged by Seddon, because some non-value work is inevitable (e.g. identifying a customer’s requirements before attempting to address them), or at least difficult to avoid (such as brief discussions about the weather). It also seems just as likely that failure demand could cause non-value work as that non-value work could generate failure demand. Furthermore, the failures

¹⁰ Housing and council tax benefits are means-tested welfare benefits administered by local councils and funded by central government, which help residents to meet their housing costs (rents) and council tax liabilities.

¹¹ These concepts appear to be derived from ideas about two types of activity, value-added work and non-value-added work, identified by Taiichi Ohno. According to Ohno, value-added work is some kind of useful process, while non-value-added work corresponds to waste in the conventional sense. The Toyota Production System that Ohno describes seeks to maximise the ratio of the value-added to the non-value-added work (Ohno, 1988, 57).

underlying Seddon's concept of failure demand are attributed to the system, and not to the staff or customers (Seddon, 2003, 37), but this may be an over-simplification. Henry Ford claims that "waste is largely due to not understanding what one does or being careless in the doing of it" (Ford and Crowther, 1924, 19) and these failings sound more individual than systemic.

Sir David Varney (Varney, 2006, 59) says that, in some of the contact centres that he investigated during the preparation of his seminal report, nearly two-thirds of all contacts made were potentially avoidable. Similarly, HM Treasury (2007b, 3) maintains that the entire public sector faces a constant battle with 'avoidable contact' that would not be necessary if they could get things right first time.¹² Illustrations of inefficient and ineffective administration include the former Department of Social Security (DSS), which admitted to more than one million errors in benefit assessments during 1990/91. The proportion of Income Support payments containing monetary errors had risen to more than 16% by 1991/92, even though all the DSS offices were by then using a new IT system, and the situation appeared to be deteriorating (Collingridge and Margetts, 1994, 57). Another more recent example is seen in welfare benefit overpayments. By 2004/05, these overpayments (caused by official error in the Department for Work and Pensions) had reached almost £2.5 billion a year (Green, 2006). At the local level, Swale Borough Council in Kent provided one of the worst housing and council tax benefits¹³ services in the country (Caulkin, 2005). Around two-thirds of incoming letters, telephone calls and visits were categorised as 'waste demand' resulting from previous failures. Most applicants visited the council's offices at least three times to settle their claims, and some came in up to ten times.

Varney further argues that public service contact centres could do more to drive out inefficient and ineffective practices by ensuring that each contact adds value to the

¹² Varney's notion of 'avoidable contact' appears to be vulnerable to the same criticism as that leveled at Seddon's account of failure demand, namely that it is constructed upon a simplistic assessment of concepts such as failure and avoidability.

¹³ The Housing and Council Tax Benefit scheme is administered by local councils, but financed and controlled by the Department for Work and Pensions (DWP). The detailed technical legislation governing the assessment and payment of housing and council tax benefits is very similar to other means-tested benefits such as Income Support and Jobseeker's Allowance, which are administered by the DWP.

outcome (Varney, 2006, 19). Here, value means relevance for the citizen¹⁴ and non-value work means work such as providing information and forms, resolving queries about processes or claims, processing information about changes of circumstances, providing progress updates, and receiving payments. Varney says that valuable contacts are those that are not duplicated, made in error or nugatory, and he too concludes that there is scope to substantially reduce the avoidable work.

Having established a connection between non-value and avoidability, Varney highlights the need to identify the causes of customer contacts, recommending as good practice research undertaken by HMRC. An analysis of 60,000 telephone calls established that 27% of the contacts resulted from confusion caused by the timing of letters sent by HMRC to pensioners (Varney, 2006, 58). The government's Central Office of Information (COI) makes a similar point, namely that that contact centres should measure customer demand and what causes it, and have mechanisms for distinguishing between contacts that are valued¹⁵ and those that are avoidable, because this will enable them to "... engineer out avoidable demand by eliminating the cause" (COI, 2008). Calls that are neither valuable nor avoidable are classified as off remit and include miss-dials, hoaxes and wrong numbers.

In 2007, central government departments were set the target of halving the rate of so-called 'avoidable contact' by 2011. The Cabinet Office (2007, 16) describes 'avoidable contact' as "... contact largely caused by failure within some process", such as unnecessary clarification, progress chasing, providing information already provided, rework, reassurance, and wrong numbers caused by confused sign-posting. It is further defined as "demand caused by a failure to do something or to do something correctly for the customer" (Cabinet Office, 2007, 49), such as failing to turn up, call back, send something that is anticipated, do something right (for example not solving a problem), sending out confusing forms, and missing a payment date. The Department for Communities and Local Government (DCLG) provides additional examples that include poor call transfer, having to give the same information to different parts of the same

¹⁴ Tidd et al. (2005, 79) warn that problems can be generated by partial (i.e. incomplete) views of innovation. For example, if innovation is treated as though its principal role is to understand and meet customer needs, the requirements of other stakeholders may be overlooked.

¹⁵ In this instance, value is to be measured in terms of the degree to which the contacts help toward policy outcomes.

organisation, responses to inabilities to deliver as expected, and premature contact closure such as abandoned calls (Department for Communities and Local Government, 2008).

The Cabinet Office's description of avoidable contact is almost indistinguishable from Seddon's definition of failure demand described above. This indicates that the expressions are being used interchangeably. While the concept of 'failure demand' is unsatisfactory for the reasons described above, the identification of the link between failure and non-value is a helpful starting point in the process of developing a method for investigating the phenomenon. For example, the Cabinet Office recommends sampling exercises to enable managers to separate customer contacts into those that are valuable to the customer or the organisation, and those that could or should have been avoided (Cabinet Office, 2007, 24). Three categories of contacts are identified (high value, low value and avoidable), to which it is necessary to add a class for unclassified or off remit contacts. The Cabinet Office acknowledges that the classification of contacts involves the application of value judgments or subjective assessments, partly driven by business objectives. This issue is addressed in Chapters 4 and 5 of this thesis, where differing attitudes toward concepts such as contact cause, value and resolution are discussed in the context of three case-studies.

Crosby suggests a method by which the costs of defect prevention could be quantified. He asserts that failure consists of non-conformance to required standards, and that "the cost of quality is the expense of doing things wrong" (Crosby, 1979, 12). This led to the unfortunate claim that "quality is free", implying that defect prevention will always produce savings in excess of the associated costs. This cannot be right, as it is not difficult to envisage levels of defect prevention that would be unfeasible or prohibitively expensive.¹⁶ However, Crosby argues that there is nothing else (apart from preventing defects) that a manager can do that will improve performance and reduce costs so quickly and easily (Crosby, 1979, 16). Crosby also maintains that mistakes (i.e. failures) are caused by lack of attention and lack of knowledge. Aspects of knowledge management, and distinctions between different types of knowledge that point to possible solutions to the PAFID problem, are explored in Chapter 3, pages 72-76.

Potentially avoidable failure induced demand (PAFID)

The literature thus provides some guidance on the nature of failure and its inter-relationships with avoidability, cause, value, resolution, and the customer experience. A synthesis of the various definitions of ‘failure demand’ and ‘avoidable contact’ suggests that they are intended to describe customer contacts caused by failures, within processes, to do things right first time. This is a useful starting point, but ambiguities remain, and there is a need for further clarification. Consequently, I have re-designated the customer contact under investigation as *potentially avoidable failure induced demand (PAFID)*, and defined it as “customer contacts that appear to be precipitated by earlier failures, such as failures to do things right first time, which cause additional and potentially avoidable demands to impinge upon public services”. This is a more complete description, which comes closer to an intuitive understanding of the phenomenon, and accommodates uncertainties about the meanings of key concepts that are addressed later in this thesis.

At an intermediate stage in this research (following the pilot case-study described in Chapter 4), the definition of ‘the customer’ was expanded beyond the immediate users of the services to include other stakeholders such as councillors and council staff. This action was taken to avoid the restrictions imposed by a wholly customer-centric definition of service failure, and the potential problems that might be caused by taking a partial view of innovation, as described above.

The eradication or reduction of PAFID has thus been identified as a possible opportunity to improve services and reduce costs without making the investments or incurring the risks involved in technological ‘solutions’. The literature reveals ways in which the characteristics of customer contact handling can be exposed to examination and possible elimination during the case-study phase of the empirical research, described later in this thesis. Professor Steinmueller suggests an approach to operationalising the investigation that parallels the method outlined by the COI and the Cabinet Office, as described on pages 31 and 32 above. It involves characterising

¹⁶ Evans asserts that the ‘law of diminishing returns’ is flawed when applied to quality because effectiveness is more important than efficiency (Barry Evans, speaking at the Lean Enterprise Research Centre’s annual conference, Cardiff University, 6th July 2007).

customer contact as an exchange process expressed in terms of collecting, analysing and understanding a range of information about customers, and providing them with the information they need to access services. Waste (or service failure) can be represented as a malfunction of that exchange process, which facilitates an examination of the failure mode. Reducing failure is then characterised as an attempt to improve the exchange process by investigating and disaggregating customer contacts with a view to diagnosing ‘avoidability’ and suggesting ways in which these failures can be identified and resolved ‘ex ante’ (personal conversation with Professor Ed Steinmueller, 5th September 2006).

Tidd et al. (2005) explain that the changes required to bring about the sort of incremental improvements described above fall into the category of ‘process innovations’, which are said to be mainly about optimisation and “... getting the bugs out of the system”. The authors point out that the associated cumulative efficiency gains can be much greater than those generated by occasional radical changes, but that innovation presents managers with very different challenges compared to those that they encounter on a day-to-day basis (Tidd et al., 2005, xiii). Consequently, managers are not always successful in their endeavours. Factors affecting change management and challenges associated with migrating from one management paradigm to another are explored in Chapter 3, pages 68 to 72.

Waste prevention in manufacturing

Early efforts to reduce waste by automating manufacturing activity and improving work flow are often attributed to industrialists such as Frederick Taylor and Henry Ford. The expression ‘Taylorism’ is synonymous with the concept of scientific management, which seeks to maximise productivity through scientific study, automation, the division of labour, standardisation, wage incentives and high levels of management control (Taylor, 1911). The term ‘Fordism’ refers to the system of mass-production and consumption that characterised Western economies following the Second World War. Ford exploited techniques such as process engineering and standardisation to increase productivity, and expressed “...a horror of waste either in materials or in men” (Ford and Crowther, 1924, 16).

Ohno (1988) maintains that the attempt to eliminate all waste through the application of production management techniques such as defect prevention,¹⁷ the eradication of non-value-adding activity, standardisation and team-work is unique to the Toyota Production System (TPS). He acknowledges the contributions made by Taylor and Ford but repudiates the American mass-production system in favour of what he considers to be a more flexible and less wasteful approach (Ohno, 1988, 95).¹⁸ However, it is apparent from the management literature that most, if not all, the constituent elements of TPS are detectable in preceding viewpoints of management.¹⁹ For example, the classical viewpoint encompasses scientific management, which emphasises the scientific study of working methods to improve productivity and reduce costs (Taylor, 1911). Behavioural perspectives stress the importance of understanding the factors that affect human behaviour in the workplace, while bureaucratic management accentuates the need for organisations to operate rationally (Weber, 1947). Finally, the quantitative standpoint uses mathematical and statistical methods to determine the most effective use of resources, while contemporary approaches embrace systems theory, which is discussed in more detail in Chapter 4. Toyota is credited with creating a consistent pattern of process innovation that involves doing what the organisation usually does but better, faster and cheaper (Tidd et al., 2005, 70).

Waste prevention in publicly funded contact centres

The preceding discussion explains how the literature assists with the identification of a type of waste called *potentially avoidable failure induced demand* (PAFID), which appears to be attributable to the failure to successfully resolve large numbers of customer contacts impacting upon UK public services. Central government's Performance Management Framework for publicly funded contact centres highlights the concept of 'first time resolution', which refers to the successful completion of a transaction "... during the first contact made by the customer and not resulting in a

¹⁷ Womack and Jones (2005, 87) call defect prevention "pre-diagnosing the problem" while Crosby (1979, 29) refers to "zero defects" and doing the job right first time.

¹⁸ According to Professor Ed Steinmueller, Ohno's contribution was important in two ways: (1) creating strong feedback loops within production so that rework was eliminated or reduced (Taylor and Ford being more interested in offline improvements); and (2) adopting a more worker-oriented system in which machines could be used flexibly and workers could use several different machines. In a service context, the latter approach might now be described as 'multi-tasking' (personal communication, 30th July 2009).

¹⁹ See Bartol and Martin (1994, Chapter 2) for a summary of pioneering ideas in management.

repeat contact on the same issue” (Cabinet Office, 2007, 16). Low first time resolution is described as a major driver of customer dissatisfaction (Cabinet Office, 2007, 22). Significantly, resolution is measured across end-to-end processes, not just across the routines dealt with in the contact centre. Those processes can be exposed to examination through customer journey mapping, which is “... the process of tracking and describing all the experiences that customers have as they encounter a service [which can] reveal opportunities for improvement and innovation” (Cabinet Office, 2008).

Table 1 below presents a quantification of customer contacts, usage rates and transaction costs for two customer access channels maintained by Tameside Metropolitan Borough Council, near Manchester. It seems self-evident that a reduction in the volume of unnecessary contacts would generate service improvements and cost savings. For example, if research established that half of more than 400,000 contacts a year were unnecessary, and half of those unnecessary contacts were subsequently avoided, then a saving of about £500,000 a year might be available to the council.

Table 1: Customer contacts for Tameside Metropolitan Borough Council

Year	Visits face-to-face	Cost per visit (£)	Total cost (£)
2003/04	100,126	15.50	1,551,953
2004/05	104,986	14.65	1,538,039
Year	Telephone calls into call centre	Cost per call (£)	Total cost (£)
2003/04	303,511	1.59	482,582
2004/05	314,602	1.39	437,296

Source: Varney (2006, 13) ‘Service transformation: a better service for citizens and business’.

Worthing Borough Council in West Sussex has approximately 100,000 residents and receives more than 660,000 customer enquiries a year (Impower, 2002). Oldham Metropolitan Borough Council in north-west England estimates that face-to-face enquiries cost £10 each, telephone calls £2 each and web enquiries £0.20 each (Barton, 2006). As explained above, commentators argue that a significant proportion of these contacts are attributable to previous failures (Seddon, 2003, 2008; Varney 2006), and

therefore constitute failure costs. Training programmes and other disbursements leading to the elimination of these costs could be self-funding (Crosby, 1979).

If the performance problems encountered by Swale Borough Council in Kent (described earlier in this chapter) are common throughout the UK public sector, and the call volumes and unit costs illustrated above are typical, then the scope for service improvements and cost reductions via the management of PAFID could be considerable. This is especially true if, instead of responding to the causes of unnecessary enquiries as they arise, they could be diagnosed and prevented.

Most objectives of public service reform can be captured by two parameters: (1) cost of delivery; and (2) customer satisfaction (which presumes successful and complete delivery of service). The cost of quality was discussed in Chapter 2 on page 32. In the next section of this chapter, I will endeavour to show the relationship between the management of key reform issues like PAFID and the broader issue of customer satisfaction with UK public sector services. The interconnections between job satisfaction, customer satisfaction, customer perception, and service quality will also be considered.

Why PAFID matters: service quality and customer satisfaction

Key aspects of this thesis are concerned with understanding current problems with UK public service delivery in the NPM context, and the potential of Lean thinking to address these issues. Academic research into customer satisfaction has concentrated primarily on the private sector, while studies commissioned by central government have sought to develop similar levels of understanding about public sector services. This thesis attempts to bridge the gap between these two areas of investigation in order to develop the concept of managing PAFID.

Survey research generates mixed messages about customer satisfaction with public services. Local government came last in a national survey undertaken by the Institute of Customer Service (Municipal Journal, 2007) with a customer satisfaction rating of 56%, compared to other low-scoring providers such as the utilities (58%), central government (61%) and transport (63%). The highest-scoring provider was the ambulance service at

88%. Ipsos-Mori found that only 24% of people were satisfied with the government, while 51% were satisfied with the overall performance of upper-tier councils, down 2% since 2003, and down 13% since 2001 (Golding, 2007; Page, 2007). The Department for Communities and Local Government published best value user satisfaction survey results for 2006/07 that revealed a 1% decline in overall satisfaction since 2003/04, and an 11% decline since 2000/01 (Department for Communities and Local Government, 2007b). Within this general picture, 77 authorities showed significant improvement, 121 significant decline, and 189 no significant change.

Scholars have attempted to illuminate the relationship between customer perception and customer satisfaction. Parasuraman et al. (1985) highlight three characteristics of service: intangibility, heterogeneity and inseparability. Service is described as intangible because it is a performance that generates a state of affairs and not an object; consequently, it cannot be verified in advance, or stored and checked for quality.²⁰ Service is said to be heterogeneous because different customers have different needs and priorities. Finally, service is characterised as inseparable because production and consumption are simultaneous, so that the customer's input becomes a critical and constituent part of the transaction. Parasuraman et al. (1985) argue that, because of its unique characteristics, quality judgments about service are driven by comparisons of customer expectations and customer perceptions – the distinction is then between the objective quality of products and the preferential quality of states of affairs.

Building on early work by authors including Crosby (1979), Garvin (1983), Gronroos (1982) and Smith and Houston (1983), Parasuraman, Zeithaml and Berry constructed a conceptual model of service quality (SERVQUAL) to facilitate a better understanding of customers' expectations and perceptions. An exploratory qualitative study generated a service quality model, ten 'service quality determinants' or dimensions, and four key discrepancies (or gaps) occurring in organisations that can cause quality problems (Parasuraman et al., 1985). These four gaps create a fifth gap, the difference between customer expectations and perceptions, which the authors call 'service quality'. A stream of research subsequently developed the ten dimensions into 97 items and then

²⁰ Modern technology facilitates the recording of customer contacts (such as telephone calls) for training purposes but this provides an incomplete picture of most transactions.

refined them down to 22 items spread over five key dimensions: tangibles; reliability; responsiveness; assurance; and empathy.

SERVQUAL has been widely applied and is highly valued (Buttle, 1996), but some researchers have concerns about its validity as a generic measure of perceived service (Carman, 1990), and suggest that different factors need to be examined for different types of service industry sectors (Scott and Sheiff, 1993). Research into local government services identified a wide range of variables that consumers used when assessing quality, the most important of which were courtesy, respect, meeting deadlines, preserving confidentiality, and consulting with citizens (Scott and Shieff, 1993). However, service quality requirements were found to vary in accordance with income and ethnic grouping, suggesting that councils should either identify sectoral groupings in order to address their differing orientations, or communicate the reasons for providing different services so that all groups can appreciate their value to the wider community.

Other researchers have argued that customer expectations are shaped by factors such as personal need, previous experience, service reputation, the media, and the characteristics of the client group (Judge and Solomon, 1993). Different factors have different impacts upon customer perceptions of service quality. Dissatisfiers are outcomes that are necessary to meet adequate levels of satisfaction but above this, they have little impact. Satisfiers are outcomes that lead to high ratings when performed well, but not poor ratings when performed badly. Critical factors can be both satisfying and dissatisfying but neutral factors have little impact (Page, 2004).

There is evidence that satisfaction can be improved by meeting expectations (Canadian Centre for Management Development, 1998) and that customer satisfaction, job satisfaction and service capability are correlated (Schlesinger and Zornitsky, 1991). In the retail sector, customers expect service basics delivered at a level they believe commensurate with the price they pay (Parasuraman et al., 1991). The US airline industry examined the link between customer satisfaction, operating income, and operating expense. As satisfaction declined, income fell and operating expenses increased (Behn and Riley, 1999). The link between service quality and finance is certainly not straightforward (Greising, 1994; Zahorik and Rust, 1992) and executives

can be reluctant to invest in service improvements without solid evidence of their financial soundness (Zeithaml et al., 1996).

Other perspectives are reflected in the literature. The Cabinet Office maintains that the key drivers of UK public sector customer satisfaction are delivery, timeliness, information, professionalism and staff attitude (Cabinet Office, 2004). Mori (2004) suggests that the most significant factors are perceived quality of service and value for money, while Page (2004) avers that the way in which a customer contact is handled is just as important as the outcome. Page maintains that satisfaction is based upon a quick response, accurate information about process length and resolution, and being kept informed about progress.

Emerging public sector research in Canada confirms a link between government service outcomes and Canadians' rating of overall government performance (Heintzman and Marson, 2005). A suggested 'public service value chain' identifies three principal elements (employee engagement, service satisfaction, and trust in public institutions) each underpinned by a set of 'key generic drivers', one of which is service outcomes. Research also indicates a positive correlation between private and public call centres' employee satisfaction and customer satisfaction (Service Quality Measurement Group, 2005).

Even if it is true that most people seek happiness (Aristotle, cited in Donovan and Halpern, 2002) and that happiness can be equated with life satisfaction, establishing a correlation between life satisfaction, job satisfaction and customer satisfaction is problematical (Judge and Watanabe, 1993). Johns and Omerod (2007) caution against relying on government for improvements in measured happiness for fear that people will think that happiness emanates from the state, resulting in arbitrary objectives, stretch targets, unintended consequences and 'experts' to tell us what makes us happy. While it appears that people who are satisfied with life are also satisfied with other things such as public services (Halpern, 1995), the long-held supposition that happy staff make happy customers (so-called 'service profit chain theory') does not seem to be supported by hard evidence (Mitchell, 2007). Maximising satisfaction may not always be the best policy anyway. For example, in healthcare, where it seems unlikely that

demand will ever be matched by the necessary resources, it may be more important to ensure that customer expectations are realistic (Donovan and Halpern, 2002).

The research described above demonstrates that different people in different places have different perceptions and expectations of public services, so that improved performance does not automatically result in increased customer satisfaction. The perception that people are increasingly disenchanted with government is pervasive, but Drucker attributes this disappointment to idealism: we expect miracles but don't get them, and this produces disillusionment (Drucker, 1969, 1989). None-the-less, UK central government has announced its intention to employ customer satisfaction indicators in a future performance management framework for public sector services. The new Comprehensive Area Assessments will be looking for sustainable improvements in citizen satisfaction, and the evidence is expected to emerge from 'placed-based surveys', which are described in terms of new national surveys of public views on local services (Audit Commission, 2007). It is clear that, for the foreseeable future, customer satisfaction cannot be divorced from the consideration of public service delivery.

The preceding examination of service quality and customer satisfaction highlights how a better understanding of PAFID can potentially contribute to studies on public service delivery. Equally, enhanced understanding can help facilitate improved service outcomes by reducing unnecessary customer enquiries and increasing resolution on first contact, collectively leading to improved satisfaction for customers, and enhanced job satisfaction for public servants.

Chapter summary

In this chapter, I explained how, in spite of the benefits available from electronic service delivery, the literature demonstrates that ICT is not a panacea for the UK public sector's financial and service delivery problems. This is partly because government ICT projects are risk-laden, prone to failure and more likely to create difficulties than to resolve them. When this chapter was being drafted (in 2008) the British media contained numerous reports of public sector ICT project failures and data security breaches.

The literature robustly argues that improving underlying business processes is likely to be more efficacious (in terms of improving services and reducing costs) than the application of ICTs. For example, there is anecdotal evidence that local authority housing and council tax benefits services suffer from high levels of a phenomenon variously called ‘failure demand’ or ‘avoidable contact’, which was previously described in terms of additional and supposedly avoidable customer contact caused by failures within processes. I call this phenomenon *potentially avoidable failure induced demand* (PAFID) and redefine it as “customer contacts that appear to be precipitated by earlier failures, such as failures to do things right first time, which cause additional and potentially avoidable demands to impinge upon public services”. Management of the PAFID problem is identified as a significant opportunity to improve public services and reduce costs, using little or no technology.

The literature suggests a strategy that is employed as a starting point for the research described later in this thesis. If failure is characterised as a malfunction of the exchange process, then improvement can be sought by investigating and disaggregating customer contacts with a view to eventual pre-diagnosis and defect prevention. Put simply, customer demand can be measured and its causes identified. Valuable and potentially avoidable contacts can then be disaggregated, with a view to removing the avoidable contacts by eliminating the causes. Concepts such as failure avoidance, continuous improvement, and the removal of non-value-adding activity are perhaps most commonly associated with the Toyota Production System (TPS), from which emerged the management ideology called Lean thinking; both constitute contingent approaches to process improvement. If Crosby (1979) is correct, activity of this nature (waste prevention) is the quickest and easiest way of improving performance and reducing costs. Financial projections based upon customer contact volumes and unit costs provided by just one local council in the UK (Tameside MBC) suggest that the scope for service improvements and cost reductions via the management of PAFID throughout the public sector could be considerable.

It is probable that concepts such as service failure, success and customer satisfaction are partly dependent upon factors like customer expectation and perception. The literature shows that different people in different places have different perceptions and expectations of public services, as a result of which improved performance does not

automatically increase customer satisfaction. Never-the-less, it seems self-evident that a better understanding of PAFID can help facilitate improved service outcomes by reducing unnecessary customer enquiries and increasing resolution on first contact. One would expect these improved outcomes to result in enhanced customer and job satisfaction, even if cause and effect cannot be established conclusively.

In Chapter 3, I will present a number of theoretical perspectives, principally New Public Management, e-Government, Lean thinking and agency theory. I will also call upon the literature regarding innovation, knowledge management, and organisational learning. All these are employed to illuminate this study and address the Research Questions. The chapter will include an attempt to draw out points of congruence and contrast between NPM and Lean thinking. It will suggest reasons why, in spite of its positive aspects, NPM is perceived to be failing and how its unintended consequences help to explain the limitations of e-Government. The analysis also considers the potential for Lean thinking to be an alternative vehicle for the improvement of UK public service delivery.

CHAPTER 3: THEORETICAL FRAMEWORK

Introduction

In Chapter 2, I maintained that an over-reliance on centrally imposed technological solutions (under the banner of New Public Management and e-Government) is disguising the potential for improvements in UK public services driven by other less precarious approaches. In particular, I suggested that the eradication or reduction of what I call *potentially avoidable failure induced demand (PAFID)* might offer significant opportunities for service improvement and cost reduction.

There is no single theoretical framework that fully encompasses the proposed research. In this chapter, I will call upon the resources provided by several different theoretical perspectives and approaches to inform the study and develop new concepts, some of which have been further investigated in the case-studies described in Chapters 5 and 6. The two bodies of literature that are most pertinent to the study of PAFID are New Public Management (within the larger area of Public Administration) and Lean thinking, because they address ideas about service delivery improvement and change management. Within New Public Management (NPM), I will also draw upon the literature about e-Government, which is widely regarded as an extension of NPM. Points of congruence and contrast between NPM and Lean thinking will be identified in order to reveal the strengths and weaknesses of the NPM method, and the potential of Lean thinking to address key reform issues such as the eradication or reduction of PAFID.

While NPM (including e-Government) and Lean thinking provide the foundations for the theoretical approach in this dissertation, there are other streams of literature underpinning the approach that can help to enrich the analysis. They are agency theory, socio-technical systems theory, innovation, knowledge management, and organisational learning. I will also draw upon stakeholder theory and institutional theory. Their relevance to PAFID lies in their fundamental aspects: they have a direct bearing on why PAFID occurs and how it might be investigated and managed. The thesis will thus incorporate selectively these differing approaches and the aforementioned theoretical

contributions to construct an integrated framework addressing the research problems identified in Chapter 4.

Public Administration and New Public Management

This section discusses New Public Management (NPM), within the broader field of study about Public Administration, as a basis for the conceptual framework underpinning this thesis. As noted above, e-Government will be described as an extension of NPM. This theoretical perspective necessitates a brief discussion about Public Administration, which will be followed by NPM. A discussion about the unintended consequences of NPM will also be included, as this will serve to explain the limitations of e-Government.

This thesis does not attempt to chronicle in detail the history of public administration, the origins of which can be traced back to the Sumerians in the fifth or sixth millennium BC, if not earlier (Gladden, 1972). However, it is necessary to describe here the environment in which the early 21st century public services under investigation are located, as I maintain that the context partly explains the perpetuation of the failings that this thesis seeks to understand. Consequently, in this section, I describe how the expansion of the bureaucratic state culminated (during the 1970s) in a crisis of confidence, accompanied by pressures for modernisation, that precipitated the emergence of the 'New Right'. This ideology included the promotion of public sector reform through the application of private sector techniques (such as the introduction of markets and service automation) to the delivery of public goods. The new administrative phenomenon was subsequently labeled the New Public Management (NPM).

In this section, I characterise the current managerial reform path specified by central government for UK public sector services (e-Government) as an extension or variety of NPM and not as a successor to it. I argue that, despite their championing of efficient high-quality public services, neither NPM nor e-Government has been efficacious. Consequently, I maintain that there remains a requirement for alternative and better solutions.

Public administration

It is possible to identify a variety of historical influences that have contemporary significance for the delivery of UK public services and which may help to explain why solutions to the performance problems described in this thesis have not been adequately dealt with or managed. The modern state is described as emerging during the 18th and 19th centuries in response to the preceding ‘absolutist’ system of monarchical government (Richards and Smith, 2002). This modernity (based on a belief in the power of reason, a quest for objective truths and a strong faith in progress) is said to have precipitated the development of bureaucratic government (Weber, 1947). Bureaucracy is described as “... the epitome of a formally organised structure based on rational politics” (Richards and Smith, 2002, 44), the principal characteristics of which include: a clearly identifiable hierarchy; unambiguous lines of responsibility; established rules and regulations; an emphasis on control and process; uniformity; predictability; stability; and shared public sector values.

The bureaucratic model envisages decision-making that is free of personal, irrational or emotional influences. Selection is based on qualifications (i.e. not influenced by social and family connections) and staff are compensated via salary. A Weberian bureaucracy maintains an elaborate and systematic division of labour, and seeks to maximise efficiency (Jain, 2004). A benevolent assessment of traditional public sector management would probably reference characteristics such as tradition, service, vocation, fairness, rule-governed adherence to codes of conduct, caution, procedure and an innate sense of responsibility (Hennessey, 1990a; Hood, 1991; Walker, 1993, 1995).

The role of government expanded rapidly during the 19th and 20th centuries. Public expenditure in the UK increased from 11% of Gross Domestic Product (GDP) in 1910 to over 50% of GDP in the late 1970s, and the underlying economy expanded rapidly too. By this time, a quarter of the population was working for the public sector. The welfare state started to attract criticism because of the drain on the public finances of welfare spending, dissatisfaction due to increasing taxes and minimal welfare benefits, and failed attempts to bring the situation under control. The condemnations of bureaucracy included excessive controls over employees that put them into an ‘iron cage’, and the danger that bureaucracy might become more powerful than society itself

(Weber, 1947). Bureaucracy was also charged with fostering ‘goal displacement’, whereby rules become ends in themselves (Merton, 1957); ‘sub-optimisation’, with sub-units pursuing independent goals (Selznick, 1957); resistance to change and inadequate innovation (Burns and Stalker, 1961); adhering too closely to the regulations (Gouldner, 1954); and ‘playing to the rules’ (Blau, 1956).

Until the early 1970s, the Civil Service was essentially based upon the cultivation of the amateur or generalist. In particular, the administrative class of staff had no specific professional education or formal training. The report of the Civil Service Commission (1968) resulted in the reform of the class system, the creation of the Civil Service College and the application of principles called ‘accountable management’ that advocated the identification of cost centres corresponding with the budget centres that were to be found in industrial organisations. The Fulton Report also recommended the separation from UK central government control of agencies such as the Post Office, the Royal Mint, air traffic control and parts of the social services.

NPM: origins and characteristics as a method for managing change and improving performance

The escalating sense of crisis in government (described above) led to the emergence of an alternative ideology for the delivery of public services that caused them to think and act more like private sector organisations. Osborne and Gaebler (1992) observe that new kinds of public institutions emerged in response to the failure of bureaucracy that were decentralised, innovative, flexible, adaptable and quick to learn. They used “... competition, customer choice, and other non-bureaucratic mechanisms to get things done as creatively and effectively as possible” (Osborne and Gaebler, 1992, 2). The authors identify the principles that characterise the new model of government: they promote competition between service providers; they empower citizens by pushing control out into the community; they measure performance focusing on outcomes; they are driven by their goals and not by rules and regulations; they redefine their clients as customers and offer them choices; they prevent problems before they emerge; they seek to earn money and not just to spend it; they decentralise authority and embrace participatory management; they prefer market mechanisms to bureaucratic solutions; and they focus on catalysing all sectors into solving their community’s problems and

not simply on providing public services (Osborne and Gaebler, 1992, 19-20). This group of ideas was subsequently labeled the New Public Management (NPM). For example, Dunleavy et al. (2006) refer to NPM as a “two-level phenomena [sic]” (Dunleavy et al., 2006, 97): the first level being a theory of managerial change comprised of three main elements (disaggregation, competition and incentivisation); and the second level being a collection of NPM-badged ideas such as agencification,²¹ de-professionalisation and improved performance management.

As an approach for change management and process innovation, NPM has been characterised by other commentators as a ‘can-do’ business-oriented culture that promotes market testing, performance management, commercial attitudes and commercial methods (Metcalf and Richards, 1987; Pollitt, 1993; Trapp, 1994; Walker, 1995). NPM is said to champion efficient high-quality services and a never-ending search for greater effectiveness (Hennessey, 1990b; Kemp, 1996). It espouses risk taking entrepreneurial management (Osborne and Gaebler, 1992; Walker, 1993, 2001); customer focus (Timmins, 1992); and managerial freedom (Hennessey, 1990b; Walker, 2004). NPM also advocates small-government that is willing to steer and not row (Osborne and Gaebler, 1992, 25), and the automation of public service delivery via the increasing use of information technology (Hood, 1991). Thus NPM is shown to embrace and not simply precede electronic service delivery (e-Government), while electronic service delivery is shown to be an integral part (and an extension) of NPM.

²¹ The term ‘agencification’ refers to the rearrangement of large bureaucracies into executive agencies. In a report entitled ‘Improving Management in Government: The Next Steps’, central government maintained that agencies should be established to carry out executive functions for government. These agencies could remain part of government or be separate from it, but the policy and resources framework should be set by the commissioning department (Efficiency Unit, 1988, 9).

NPM: unintended consequences

However, scholars also argue that NPM has created a technological paradox because it both encourages the increased use of government IT and focuses upon organisational changes that have been harmful to IT performance (Dunleavy et al., 2006). The authors also observe that NPM has fragmented government institutions, increased policy complexity, reduced citizens' capacity to solve their own problems, hollowed-out public sector staffing, and introduced new contractually-based risks and barriers. They point out that agencification has created organisational silos that make collective (joined-up) action difficult, while competition has resulted in problems for government IT. For example, research shows that NPM countries (like the UK) can be expected to perform less well in handling government IT than non-NPM countries, which may be attributable to NPM's effects in disintegrating government and enhancing the power of the IT industry (Dunleavy et al., 2006, 84). Other authors also maintain that NPM has had powerful (adverse) side effects and caused policy problems. For example, Margetts and Willcocks (1993) point out that NPM-driven developments in the public sector use of IT constitute considerable risks, while Goddard and Riback (1998) maintain that government is not a business, and that forcing government managers into private sector thinking usually creates more problems than it resolves.

Additional criticisms of NPM refer to an increasing concentration on the micro-management of specific targets, and the imposition of inspection regimes (Clancy, 2005). The employment of targets as levers for improvement are said to portray service as a commodity that continues to be delivered by an outdated, mechanistic, mass-production model (Parker, 2006). In a further sign of disaffection with NPM, the terms 'scientific management' and 'neo-Taylorism' are employed pejoratively (Pollitt, 1993; Seifert, 2002) to highlight a growing polarisation between routine production workers,²² in-person service workers and symbolic-analytic workers (Reich, 1992, 174). Reich explains that symbolic analysts demand a different (better) working environment than routine production and in-person service workers, but that traditional job categories overlap the new ones, making it difficult to differentiate between them.

²² According to Reich's typology, routine producers are people who are engaged in repetitive high-volume work, in-person service workers are people doing simple repetitive tasks in face-to-face environments, and symbolic-analytic workers are people with problem-solving skills and the ability to broker solutions (Reich, 1992).

The conclusion that can be drawn from this section is that, while it is possible to identify some positive claims for the applicability of the NPM model of public administration, which draws heavily upon management techniques from the private sector, it is largely perceived by observers to be ineffective and less able to foster innovative change than the private sector. However, the UK Government's adherence to NPM has been detrimental to a key objective of its ambitious e-Government strategy: that of improving the delivery of public services through the deployment of ICTs. In sum, despite the apparent innovativeness of NPM, scholars have shown that, on balance, its effects on change management and service delivery have been harmful.

The next section of this chapter will discuss the continuation of the NPM and e-Government projects, arguing that neither is dead in the way that some commentators suggest. It will also describe the search for a theory of e-Government and offer possible explanations for major public sector ICT failures from stakeholder theory and institutional theory.

E-Government

The above discussion has introduced the contextual framework within which the broader changes brought about by e-Government can be located. It portrays e-Government as an extension of New Public Management. A variety of potential benefits from the applicability of NPM and e-Government, and a number of significant problems flowing from them, are also identified. Dunleavy et al. go so far as to assert that, because of these problems, NPM is dead and has been succeeded by "Digital-Era Government" (Dunleavy et al., 2006, 216). Subsequently, however, they acknowledge that NPM is "still afloat" (Dunleavy et al., 2006, 218) with some components actively developing. Business managerialism (a key feature of NPM) is said to remain the major external influence on state organisational changes (Dunleavy et al., 2006, 227). Consequently, like the expression transformational Government discussed previously in Chapter 2 (see page 25), the expression Digital-Era Government may be another example of "verbal inflation" (Bannister, 2006) and this thesis will therefore employ the more established expression e-Government.

The pressure from central government for public services to keep pace with modern business management methods seems unrelenting. For example, in a move that is said to mark a further injection of market disciplines into the National Health Service, hospitals are being required to adopt ‘activity based costing’. This has been described as a ‘profit and loss approach’ that will enable hospitals to distinguish those services that are trading at a loss from those that make money, and to adjust charges to their primary care trusts accordingly (Timmins, 2007). Walker asserts that the current Labour government’s unfolding plans fit squarely within NPM ways of thinking, while Gershon (HM Treasury, 2004), Varney (2006) and Lyons (2007) all seem to rely on the 1980s postulate that “everything government does can be cheaper” (Walker, 2004). A Secretary of State said recently that there would be no reversal of the government’s reform programme and that marketisation and choice were being “built into the DNA of our public service infrastructure” (Taylor and Timmins, 2007).

The identification of a body of theoretical work on e-Government has been challenging. Jackson and Curthoys (2001, 216) claim to have identified the germ of a distinct or preliminary theory of e-Government that places stronger emphasis on using internet technology to achieve service aims. The authors allude to fundamental changes to public sector management precipitated by e-Government (such as organisational redesign within the Civil Service) but speculate that it may nevertheless just be a continuation of NPM.

The World Bank maintains that there is no e-Government theory: knowledge about e-Government comes from practice and excellence from best practice (World Bank, 2002). Halachmi (2004) asks where the grand theory of e-Government is to be found; is it influenced or guided by theory at all, or is it just the result of local circumstances? He concludes that there may be no generally accepted theory or model, that there is no consensus about a common definition, and that there is a lack of evidence regarding outcomes (Halachmi, 2004, 5). More recently, Irani and Elliman (2007) have identified more than 100 research questions about e-Government, which suggests that there is still a paucity of answers.

E-Government may lack a cohesive theory, but I argue that the conceptual framework for this thesis is nonetheless strengthened by treating it as an extension of NPM, as

outlined above. E-Government has features in common with e-Commerce, which has produced a distinct literature, but this theoretical aspect is outside the scope of this research because my principal concern is with business processes for change management rather than technological implementation. Consequently, the sources that I refer to are more directly concerned with these issues. Furthermore, Jackson and Curthoys (2001, 210) distinguish e-Government from e-Commerce because e-Government is "... set within a multi-institutional and public setting with consequently differing expectations, financial and technological requirements". Other theoretical perspectives associated with e-Government, such as stakeholder theory and institution theory, are discussed below.

Scholars argue that bureaucratic inertia is likely to be a barrier to successful innovation in the public sector (Lazer, 2003), where e-Government projects have failed and are likely to fail in the future. There are various internal tensions that make e-Government projects difficult to achieve and by upsetting the status quo, e-Government efforts become vulnerable to subversion by key stakeholders. Jain (2004) maintains that information technology can be a tool for reforming bureaucracy; that it can foster improved co-operation and information sharing, and make government more flexible, responsive and efficient. By counteracting situations where processes become 'stove piped' (i.e. highly inflexible) and information is held in 'silos' (i.e. not shared properly), e-Government can precipitate a more collaborative style of government (Zussman, 2002) through a greater accessibility and sharing of information. E-Government has parallels with the objectives of Lean thinking and knowledge management, which are discussed in greater depth later in this chapter, on pages 72-76.

Stakeholder theory

A stakeholder in an organisation is "... any group or individual who can affect or is affected by the achievements of the organisation's objectives" (Freeman, 1984, 25). Put simply, stakeholder theory maintains that good stakeholder management translates into good business (Scholl, 2001), particularly in the context of large scale IT investments, where the risk of failure is high, largely because of their complexity. This tenet has permeated into the public sector where (as we have seen above) management functions increasingly resemble private sector management responsibilities.

Research has demonstrated the practical value of a stakeholder approach in an e-Government setting. For example, a major public sector IT initiative in New York State was preceded by a stakeholder needs analysis and consultation exercise involving a range of stakeholders, any one of whom had the capacity to support or impede the project (Pardo et al., 2000). Workshops generated much useful information, ongoing support and constructive publicity. The theory may extend to management decision-making generally, where it is arguably important to understand the needs of stakeholders before the commencement of any ambitious project. More broadly, it is arguable that some greater level of stakeholder engagement or feedback might improve efficiency, quality or satisfaction with public services.

Institutional theory

Spinoza maintained that those who ignore the past are condemned to repeat it. As we have seen above, in spite of repeated disappointments, hyper-modernists (staunch believers in the power of IT to solve problems) aver that new information technology systems can produce dramatic cost reductions and public service improvements. These beliefs seem to echo the ‘triumph of hope over experience’ paradox affecting the NPM movement, of which e-Government is a recent manifestation (Hood and Peters, 2004).

Is technology adopted to make government work better, or is it partly attributable to conformist tendencies²³ such as wanting to be on the cutting edge of technology, keeping up with other agencies and complying with EU standards? An examination of 50 e-Government projects in the USA concluded that there is often no sound business plan or cost-benefit analysis, and that such projects are sometimes initiated as a function of fad and fashion, and because of legitimacy concerns (Cohen and Eimicke, 2001). Institutional theory helps to explain this conformity to the rules and trends of the institutional environment (Yildiz, 2003).

Institutional theory encompasses the social aspects of decision-making such as concerns about legitimacy, stability and enhanced survival prospects (Meyer and Rowan, 1977).

²³ In this context, the term ‘conformist tendencies’ is used to describe the tendency of public agencies to adopt the same solutions as other public agencies (i.e. to imitate them) for reasons of legitimacy, even if those solutions are not efficacious in other respects.

It offers possible explanations of why government organisations are so similar, and why there is a process of homogenisation regarding the adoption of ICTs in government. Technologies become institutionalised, and technical procedures become taken-for-granted means to accomplish organisational ends, establishing organisations as appropriate, rational, modern and responsible; they become "... myths binding on organisations" (Yildiz, 2003). Associated with studies on e-Government is research suggesting that organisations feel obliged to do what everybody else in the sector is doing because this has the effect of increasing their legitimacy, regardless of the efficacy of the solutions that are being adopted (Meyer and Rowan, 1977, 340). These common solutions "... come to take on a rule-like status in social thought and action" (Meyer and Rowan, 1977, 341) and contribute toward the processes by which individuals come to accept a shared definition of social reality (Scott, 1987, 496).

Legitimacy is sometimes more important to organisations than the rational decision-making process (Gold, 1999) and external legitimacy can be particularly beneficial (Singh et al., 1986, 176). It may, for example, generate political advantage, attract financial resources and other types of support, and reduce the risk of innovative schemes being characterised as imprudent. Similarly, research suggests that specific solutions are not necessarily created to solve specific problems but may already exist, waiting for problems to arise. This 'garbage can' model of organisational choice (Cohen et al., 1972, 1) assumes that problems and solutions come together in an almost arbitrary fashion, determined by their arrival times (like rubbish in a rubbish bin), and not by some more rational process. In other words, it is conceivable that the UK's e-Government policy has failed because it was adopted for doctrinaire or arbitrary reasons and not as an evidence-based approach to cost reduction and service improvement.

Some commentators say that the momentum behind UK central government's technological transformation agenda is undiminished (Varney, 2006), but others warn that "the heady days of unremitting investment²⁴ in local e-Government are well and truly over" (Hill, 2007). Central support for local capital schemes has largely dried up, and the focus of attention has shifted to the development of shared services. While the Department for Communities and Local Government has established a Capacity

²⁴ As early as 2004, local authorities were complaining that central government investment in IT based services was inadequate (Carroll, 2004a).

Building Fund that is supporting a number of improvement initiatives,²⁵ some of which are ICT oriented, the available resources are modest compared to the e-Government programme. While a short period of consolidation might be beneficial, it seems likely that some of the more ambitious ICT projects (such as the integration of Customer Relations Management systems with back-office systems to maximise the resolution of customer enquiries on first contact) will be delayed. In this environment, references to a post-NPM and post e-Government golden age may be too optimistic (Dunleavy et al., 2006).

The next section of this chapter explores PAFID from a different perspective - that of agency theory. The implication is that PAFID may be partly attributable to principal-agent problems arising in the current NPM context between various stakeholders involved in delivering public services, and that PAFID might be managed by addressing those problems.

Agency Theory

Hood (1991) contends that NPM can be viewed as a 'marriage' between business-type managerialism and post-war ideas about public choice, transaction costs and agency theory. The following discussion illustrates the ways in which agency theory can be helpful in terms of suggesting possible explanations of why the current reform path specified by central government (under the banner of NPM and e-Government) may not deliver what is required. Significantly, it underpins the argument developed in this thesis about the need to focus on alternative approaches, such as Lean thinking and managing PAFID.

A key feature of the principal-agent relationship is the assumption that the desires and goals of the principal and the agent conflict, and that it is difficult or costly for the principal to verify what the agent is doing because of 'information asymmetry' (Coase, 1937; Ross, 1973; Williamson, 1975, 1979; Jensen and Meckling, 1976; Eisenhardt, 1985, 1989a). People and firms are assumed not to act in ways that are contrary to their own interests, and they may even be tempted to behave inappropriately, from the

²⁵ For example, information about the Sussex Improvement Partnership is available online at <http://www.sece.gov.uk/sussexip> accessed 23/08/08.

perspective of the principal, giving rise to ‘moral hazard’. Similarly, an institution that is insulated from risk (i.e. that does not have to bear the full consequences of its actions) may behave differently and perhaps less carefully than it would if it were fully exposed to that risk. Consequently, policies have to be designed so that self-interest induces or incentivises people to behave in ways that the principal requires (Black, 2002), but this gives rise to new concerns about perverse incentives and unintended consequences.

Perverse incentives have unanticipated and undesirable effects; hence the so-called ‘law of unintended consequences’, which maintains that all purposeful action will generate some unintended outcomes (Merton, 1957, 63-66). Agents may even go so far as to ‘game the system’ by seeking to exploit rules that are intended for other purposes. For instance, once I contract with you to deliver a particular service, you have an incentive to examine how I will monitor your performance (Williamson, 1975, 1979). If you can make savings in the cost or effort of delivery by ‘playing to the rules’ then that is what you will do - leaving aside the risk that I may not retain your services in the future because you did not meet the unstated or uncodified elements of the agreement. Transposing the concepts outlined above into the arena of local autonomy and the central direction of public services, it is arguable that ‘playing to the rules’ could result in more and not fewer defects or failures, the costs of which could exceed any ‘savings’ produced by centrally-imposed reform paths.

Arguably, the whole notion of externally imposed targets²⁶ (such as UK central government’s requirement that councils should implement specified technologies by specified dates) is flawed, if they simply engage peoples’ ingenuity in managing the numbers and make the public sector less adept at delivering what the public really want (Clancy, 2005). The mantra “measures drive behavior” is intended to make a similar point (Peter Hines, speaking at the Lean Enterprise Research Council’s annual conference, Cardiff University, 6th July 2007). Seddon maintains that targets end up taking priority over performance, when most of the variation in performance is in the system (Seddon, 2003, 61; 2008, 96). A similar point is pursued by Barrett (2004), who highlights the outstanding need to resolve the paradox of control and autonomy in achieving desired outcomes, namely how to avoid performance becoming

²⁶ Jowett and Rothwell (1988, 99) use the expression “exogenously stipulated government criteria”.

conformance²⁷ with targets at the expense of broader goals. Barrett maintains that NPM has reasserted the dominance of prescriptive top-down approaches, the unintended consequences of which include the skewing of service priorities and the manipulation of data for fear of failure.²⁸ Jowett and Rothwell (1988) point out that the definition of performance is to a large extent dependent upon the perspective of the interested parties, and consequently they argue that there can be no unique measure by which the level of this interest-related performance can be accurately gauged.

The next section of this chapter continues the exploration for alternative ways of improving public services and reducing costs. It focuses on the concept of Lean thinking, which is investigated from a variety of perspectives including systems thinking, innovation and change management, knowledge management and organisational learning.

Lean thinking and waste prevention

If the ‘technology push’ or hyper-modernist approach to performance improvement in the current NPM context (described in Chapter 2, pages 22-23) is misconceived and losing momentum, is there an alternative? The next relevant stream of theoretical writings that this thesis considers is the concept of Lean thinking.

In Chapter 2, commentators were identified who maintain that a better way of improving public service delivery (i.e. better than relying upon the deployment of ICT systems) is to design services against customer demand (Heeks 2001; Seddon 2003, 2008; Varney 2006; HM Treasury 2007a; Cane 2007b). This involves making a distinction between ‘value work’ that contributes to desired outcomes and ‘non-value

²⁷ Faced with the problem of why public sector organisations cultivate a culture of conformance, a possible explanation is that people disagree about the required standards of performance. For example, some will say that the perceived quality of service depends upon the quality of the interaction, while others will say that quality of service depends almost entirely upon results. Because one cannot have a continuing debate about how much priority to assign to competing objectives, there has to be some sort of closure. One way of achieving closure is to cultivate the ‘boss culture’, which requires of both the boss and the subordinate to adopt particular personalities (Adorno, 1950).

²⁸ The Department for Work and Pensions castigated local authorities that appeared to be manipulating housing benefit processes by refusing to accept defective claims. The effect of the manipulation was to enable councils to reduce processing times (as defined by the DWP) and to meet centrally imposed targets (Department for Work and Pensions, General Information Bulletin, HB/CTB G8/2007 available at <http://www.dwp.gov.uk/local-authority-staff/housing-benefit/user-communications/hbctb-bulletins/hbctb-bulletins-2007/> accessed 01/07/09).

work’ that leads to what Seddon calls ‘failure demand’.²⁹ Having identified failure demand as a major source of waste in service organisations, Seddon recommends a solution (the eradication or reduction of failure demand) based upon the Toyota Production System and Lean thinking, which he describes as “the Toyota system for service organisations” (Seddon, 2005).³⁰ While car production and public service delivery may seem incompatible, scholars have argued for decades that manufacturing methods for improving efficiency are transferable to the services sector (Levitt, 1972). Tidd et al. (2005, 14) confirm that recent experience of deploying Lean thinking in the manufacturing and services sectors “... underlines further scope for continuous innovation”.

Both NPM and Lean thinking promote management strategies such as customer focus, continuous improvement, high-quality service, waste avoidance and service automation – and both endorse commercial attitudes and methods. Hood (1991) identifies other points of congruence, arguing that NPM can be understood as an expression of values (such as frugality, waste reduction and the conservation of resources) that are encapsulated by the mantra ‘keep it lean and purposeful’. Hood also asserts that the application of Lean manufacturing techniques such as ‘just-in-time’ (which he characterises as a classic expression of the values embraced by NPM) offers substantial opportunities for cost reduction and service improvement. However, a closer examination of the systems-oriented approaches that underpin Lean thinking (see below) reveals distinctions between NPM and Lean that begin to explain why Lean thinking might be a better vehicle for UK public service improvement.

Lean thinking: origins and characteristics

Lean thinking is commonly recognised as an extension of the Toyota Production System (TPS). The location of TPS in management as a field of knowledge was

²⁹ As already noted in Chapters 1 and 2, I call the phenomenon *potentially avoidable failure induced demand (PAFID)* and define it as “customer contacts that appear to be precipitated by earlier failures, such as failures to do things right first time, which cause additional and potentially avoidable demands to impinge upon public services”.

³⁰ Seddon distinguishes his ‘systems approach’ from the much more comprehensive Lean thinking methodology described below by defining it in terms of removing the causes of variation and designing the services against customer demand to ensure that the work flows cleanly and smoothly (Seddon, 2008, 41).

discussed in Chapter 2, page 35. The various strains of the Japanese quality movement share founding fathers such as Taylor (1911), Ford (1924, 1926), Deming (1986), Juran (1962), Fiegenbaum (1951, 1961), Taguchi and Clausing (1990), Shingo (1986), Crosby (1979) and Schonberger (1982). They espouse similar principles, such as efficiency, explicit quality orientation, continuous incremental improvement, customer focus, self-motivation through empowerment, and decentralised responsibility for achievement of the quality standard (Morgan and Murgatroyd, 1994). They share an interest in process concepts such as value added, just-in-time, quality related costs, failure prevention, striving for perfection, zero defects, and mistake proofing. They also employ similar tools such as benchmarking, team-working, space reduction, rapid improvement exercises, quality circles, creative problem solving, the deployment of knowledge management, and innovation for competitive advantage.³¹

At the heart of the Toyota Production System and Lean thinking (Womack, Jones and Roos, 1991; Womack and Jones, 1996) lays the elimination of *muri*, *muda* and *mura* (excess, waste and unevenness) through a process of continuous incremental innovation. Ohno (1988, 19) identifies seven types of manufacturing waste: over-production, motion, waiting, transportation, processing, inventory and defects. Bicheno (2004, 20) lists seven service wastes: delay, duplication, unnecessary movement, unclear communication, incorrect inventory, opportunity lost and errors. Seddon (2001, 206) identifies other service wastes, including correcting mistakes, progress chasing, checking and mis-directed activity. Work defects leading to re-work are very expensive in manufacturing, and major efficiency gains are available from reengineering the production process to deliver ‘zero defects’ (Crosby, 1979).

The management literature is replete with alternative methods, tools and techniques. **Table 2 below** therefore seeks to distinguish the key elements of Lean thinking by showing how they differ from other common approaches. What it reveals is that, in

³¹ Lean thinking and TPS also focus on measurable gains. Edwards Deming is credited with saying, “In God we trust – all others must bring data”.

spite of Lean thinking's apparent heterogeneity³² it is possible to identify a distinctive underlying philosophy based on process optimisation through the elimination of everything that is non-value-adding. The table also shows that Lean thinking is constructed around five key principles: value, value stream, work flow, pull and perfection (Womack and Jones, 1996). For instance, the literature reveals that the same five concepts (re-labeled core principles) have been applied to improvement programs in the National Health Service (Jones and Mitchell, 2006). The Lean philosophy adopted by Tesco's equates value with customer focus, value stream with planning, pull with responsiveness to customer demand, perfection with discipline and standards, and waste reduction with one-touch replenishment of stock (Barry Evans, speaking at the Lean Enterprise Research Council's annual conference, Cardiff University, 6th July 2007). What this serves to demonstrate is that Lean thinking provides a conceptual umbrella under which a variety of management practices may be employed for change management, and to improve performance and reduce costs.³³

Table 2: Key elements of Lean thinking, and other methods and standards

Method	Key Elements	Other Characteristics
Lean thinking	Based on five principles that address: (1) value or knowing what the customer values; (2) value stream or understanding what delivers value and employing the irreducible minimum of activities required to deliver it; (3) work flow or making the value creating steps flow smoothly, continuously and rapidly by reducing waste; (4) pull or responding to the pull of customer demand; and (5) perfection or continuously seeking improvement.	A management method and systems approach derived from the Toyota Production System. Focuses on improving quality and reducing costs through process optimisation, i.e. seeks to eliminate non-value-adding activities in physical and business processes. For example, aims to reduce cycle times by eliminating waste in each step of the process, as this is perceived to lead to best quality and lowest cost. Emphasises team working, worker participation in problem solving, flattening of hierarchies and loosening of organisational models to enhance innovation.

³² As if to emphasise this point, Bicheno (2004, 11) lists twenty "characteristics of Lean" which are: customer focus; simplicity through avoidance of complexity; waste reduction; process improvement; visibility to enable control by sight; regularity to avoid surprises; flow to keep output moving at the customer rate; pull by producing at the customer rate of demand; postponement to avoid over production; prevention of problems and waste; time reduction; improvement which includes innovation; partnership through co-operative and team-working; value through co-operative networks; gemba which is managing by walking around; variation reduction through measurement and management; participation by enabling operators to solve problems; thinking small to retain 'family focus'; and building trust with suppliers and other key stakeholders.

³³ Hence Lean thinking's usefulness in the identification and reduction of potentially avoidable failure induced demand.

Table 2 (continued):

Method	Key Elements	Other Characteristics
Total Quality Management	<p>Based on W. Edwards Deming's Fourteen Points for Total Quality Control, which address: (1) constancy of purpose; (2) reducing government regulation; (3) preventing defects; (4) building relationships with suppliers; (5) continuously seeking improvement; (6) training and continuous learning at all levels; (7) enhancing leadership skills; (8) encouraging staff involvement; (9) team working; (10) eliminating targets and quotas; (11) removing barriers; and (12) taking action to accomplish transformation.</p> <p>Focuses on productivity and quality. Aims to improve productivity through waste avoidance. Seeks to sustain the habit of continuous quality improvement and achieve perfection. Decision making based on facts and data.</p>	<p>Provides a quality control approach to management that emphasises a long term organisation-wide commitment to quality. Highlights collective responsibility for quality and encourages people to work across organisational boundaries. Aims to achieve zero defects and make products and services that conform exactly to desired standards.</p> <p>Emphasises the cost of quality, i.e. the cost of not getting things right first time every time. Quality control means continuous improvement and defect prevention rather than reliance upon inspection. Applies statistical methods and seeks to create a positive attitude toward quality at every level in the organisation. Promotes the idea that everyone is a supplier and a customer to someone else in the organisation.</p>
EFQM Excellence Model	<p>A non-prescriptive TQM framework that focuses on nine criteria consisting of five enablers (what an organisation does) and four results (what an organisation achieves). The enablers are leadership, people, policy and strategy, partnership and resources. The four results are people, customer, society and key performance.</p>	<p>Provides a framework for organisational management based upon the principles of TQM. A diagnostic tool for self-assessment of the organisation, and the basis for the EFQM Excellence Award.</p>
Six Sigma	<p>Focuses on cost reduction via the reduction of defects and variation. Employs the sequence: (1) Design or define the problem; (2) Measure or how are we doing (3) Analyse or what is wrong; (4) Improve or fix what is wrong; and (5) Control or hold the gains and sustain. Sometimes the cycle is supplemented with Transfer.</p> <p>Quality is seen as a means to an end – making customers happier and increasing profitability.</p>	<p>A strategic problem-solving method and a statistical measure that seeks to reduce defects to below 3.4 defects per million opportunities.</p> <p>Structured and quantitative, customer focused and project based (one problem at a time), accompanied by an elaborate training and accreditation process.</p>

Table 2 (continued):

Method	Key Elements	Other Characteristics
ISO 9001	Focuses on the development and implementation of quality management systems that demonstrate the ability to consistently provide products that meet customer and statutory requirements, and address customer satisfaction through the effective application of the system. Tools include continuous improvement and the prevention of nonconformity.	Provides comprehensive standards for quality management systems. Accreditation is intended to ensure that outputs are produced consistently and in accordance with the proper documentation, but can be a paper system that is not closely related to the way things are done.
Balanced Scorecard	A management tool that promotes and facilitates the reporting of a balanced set of financial and operational performance measures. The five key elements are (1) translating the vision into operational goals (2) communicating the vision and linking it to individual performance (3) business planning and index setting (4) feedback and learning, and (5) adjust the strategy accordingly.	Ultimately about choosing measures and targets. Allows managers to view the organisation from several different perspectives simultaneously: financial (how do we look to the shareholders?); customer (how do customers see us?); internal business processes (what must we excel at); and learning and growth (can we continue to improve and create value?)
Investors in People (IiP)	<p>An externally validated and widely recognised management standard.</p> <p>Focuses upon staff improvement and quality. Designed to help organisations improve performance and realise objectives through better management and continuous development of their people.</p> <p>The framework is based on three main elements (1) Plan – develop strategies to improve performance (2) Do – take action to improve performance, and (3) Review – evaluate and improve performance.</p>	<p>Described as a flexible and easy to use standard that is outcome focused and non-prescriptive, customer led and independently assessed. Promotes continuous staff development.</p> <p>Organisations pursuing the standard require specialist external support to meet detailed evidential requirements during the initial assessment and subsequent three-yearly reviews.</p>

Table 2 (continued):

Method	Key Elements	Other Characteristics
Customer Service Excellence	<p>A management tool for driving customer-focused change, principally intended for public sector organisations.</p> <p>Applicants are assessed against five qualifying criteria: customer insight; the culture of the organisation; information and access; delivery; and timeliness and quality of service.</p>	<p>The standard gives emphasis to the importance of developing an in-depth understanding of customers.</p> <p>Accreditation is obtained via independent assessment by external specialists. Any public, private or third sector organisation may participate.</p>

The sources informing Table 2 are detailed in the footnote below³⁴

Lean thinking: the systems approach

The literature on systems thinking helps to contextualise Lean thinking and NPM as approaches to change management. For instance, Lean thinking is described as systems-oriented, holistic, integrated, co-ordinated, interactive, consensual, participative and continuous. By implication, the NPM method is comparatively reductionist, fragmented, complex, mechanistic and losing momentum. Such an interpretation, as noted above in the section on NPM, begins to signal the limitations of NPM as an effective approach for change management, in spite of several aspects of congruence with Lean thinking.

Systems thinking debates the subjective nature of real-world problems and this helps to illuminate aspects of the case-studies described later in this thesis. For example, Bicheno (2004) describes Lean as an extension of the Toyota Production System, while Seddon identifies Toyota's Taiichi Ohno as "... the first person to realise the profound benefits of managing an organisation as a system" (Seddon, 2003, 13; 2008, 67). If "to

³⁴ Sources informing Table 2. For Lean thinking see Tidd, Bessant and Pavitt (2005); Womack and Jones (1996; 2005); Bicheno (2000; 2004); Bessant and Tidd (2008). Total Quality Management see Crosby (1979); Schonberger (1982); Deming (1986); Morgan and Murgatroyd (1994); Cole (1993); Womack and Jones (1996). For EFQM see European Foundation for Quality Management, available online at <http://www.efqm.org> and <http://www.qualityscotland.co.uk> accessed 18/04/10. For Six Sigma see Chowdhury (2001); Bicheno (2004); Byrne, Lubowe and Blitz (2007). For ISO 9001 see International Organisation for Standards, available online at <http://iso.org> accessed 18/04/10. For Balanced Scorecard see Kaplan and Norton (1992; 1996) and Balanced Scorecard method, available online at www.valuebasedmanagement.net accessed 18/04/10. For Investors in People, available online at <http://investorsinpeople.co.uk> and <http://www.iipscotland.co.uk> accessed 18/04/10. For Customer Service Excellence available online at <http://www.cse.cabinetoffice.gov.uk/homeCSE.do> accessed 18/04/10.

realise” means to comprehend, then this claim overlooks the contribution of thinkers such as Ackoff (1974), who writes about an outgoing Machine Age based on doctrines of analytical thinking and reductionism, and an incoming Systems Age (beginning in the 1940s) characterised by expansionism and systems thinking. Ackoff perceives every problem as part of a set of interrelated problems, which he calls a system of problems or “a mess” (Ackoff, 1974, 21). Systems thinkers argue that the reductionist approach will not solve problems that occur due to the complexity and interconnectedness of the issues under investigation. Ackoff maintains that business planning should be about dealing holistically with systems of problems, and that only interactive planning (participative, co-ordinated, integrated, continuous and consensual) is consistent with systems thinking.

Senge connects systems thinking with Lean thinking by proposing Toyota as an example of best systems practice, because in Toyota “... all the parts work together” (Senge, 2006, 11). He characterises business as activity “... bound by invisible fabrics of inter-related actions” (Senge, 2006, 7), and describes systems thinking as a holistic approach to problem-solving that integrates five disciplines (personal mastery, mental models, building shared visions, team learning and systems thinking). All of these are required to underpin learning organisations. The theoretical contributions offered by knowledge management and organisational learning are addressed in more detail later in this chapter (see pages 72-80).

Checkland characterises systems thinking as an attempt to understand the world’s complexity (which he calls real-world problems, or problems of management) through the concept of “a set of elements connected together which form a whole, this showing properties which are properties of the whole, rather than properties of its component parts” (Checkland, 1993, 3). Checkland distinguishes between hard and soft systems, both of which are approaches to process improvement. Hard systems analysis makes extensive use of quantitative models and computer simulations in situations where goals can be set, performance maintained and implementation achieved. Soft systems analysis treats organisations as social systems perceived in subjectively different ways by their individual members. Consequently, it seeks to provide understanding of problems and effect tangible improvements rather than solutions. Naughton (1984) draws similar distinctions between hard and soft failures, the latter being described as events about

which there is disagreement concerning their extent or significance, such that they become matters of opinion.

Hoos rejects the application of hard systems approaches (such as cost-benefit analysis, programme budgeting and management by objectives) to real-life problems in the public sector as a simplistic, mechanically contrived and self-justifying practice that produces “quantomania” (Hoos, 1969, 56). She explains that “... social systems are by their very nature so laden with intangible, human variables that concentration on their measurable aspects distorts the problem and confuses the issue” (Hoos, 1969, 25). The criticism of hard systems analysis presented by Hoos is uncompromising, implying as it does that quantification in general is not applicable to the resolution of social problems. Ackoff’s ‘interactivist’ approach to change appears to offer a soft systems solution to this dilemma that can be tested empirically, as it involves creating improvements in complex real-life situations by sharing perceptions and seeking consensus (Ackoff, 1974, 30).

Lean thinking: socio-technical systems theory

Socio-technical systems theory is a branch of the Human Relations movement that emerged from research by the Tavistock Institute into the UK coal-mining industry (see, for example, Trist and Bamforth, 1951; Emery and Trist, 1960; Trist, 1993). The theory addresses the relationship between organisations and technology, and promotes performance improvement through the humanisation of work. For example, the associated concept of joint optimisation (or co-optimisation) places shared emphasis on the achievement of both excellence in technical performance and quality of working life (Trist, 1993). The argument is that attempts to optimise either sub-system alone will result in sub-optimisation of the whole. The relevance of the socio-technical approach to this thesis thus lies in its potential to provide reasons for the failure of some UK government IT projects (described in Chapters 1 and 2), and to explain the occurrence of PAFID.

Socio-technical theory proposes ways of achieving joint optimisation through organisational design, such that the relationship between the social and technical elements generates improved productivity and worker well-being. The innovations to

emerge from this line of thinking include: participative work design structures such as self-managing teams; job enrichment, job enlargement and job rotation; and whole task responsibility, which appears to anticipate the modern concept of end-to-end working. All these pioneering developments are intended to enhance personal commitment, job satisfaction, productivity and quality, and to reduce absenteeism, accidents and industrial disputes (Trist and Bamforth, 1951). The approach thus offers alternatives to scientific management and the hierarchical bureaucracies that still dominate UK public service provision. The literature reviewed in Chapters 2 and 3 of this thesis reveals that Lean thinking promotes the humanisation of work by acknowledging that people are the most important asset. For example, Liker (2004, 198) explains that “Toyota invests in people and in return it gets committed associates who show up to work every day and on time and are continuously improving their operations”.

The preceding discussion about the relationship between organisations and technology, and its impact upon outcomes, can be extended to embrace the innovation and implementation of new technologies. Voss (1992a; 1992b) asks why some firms are successful at innovating and implementing new processes and getting benefits from them, while others are not. Part of the answer that he provides is that concepts like implementation and success are too narrowly defined, as a consequence of which management does not give them sufficient attention. For example, Voss (1992a, 31) suggests that the process of innovation can be characterised as a three-phase life cycle that includes: (1) pre-installation; (2) installation and commission; and (3) consolidation. It is during the final consolidation phase that the further improvements that are required to progress from technical success to business success are likely to materialise. Consequently, Voss argues that the definition of success should be extended to include realisation of the required business benefits, and many of the factors that influence that success take place in the adopting organisation (e.g. the developer) rather than in the innovating organisation (e.g. the user). This post-installation phase is often neglected and yet it is a vital part of the innovation and implementation process. Lean thinking addresses this issue by rejecting technologies that conflict with the organisational culture, and limiting implementation to those reliable, thoroughly tested technologies that serve people and processes (Liker, 2004, 39). Following installation, cross-functional teams seek to maximise quality and productivity.

Leonard-Barton (1988) makes the same point as Voss (about the initial implementation phase being part of the innovation process) and explains that implementation requires continuing attention to the process of change. When an innovation is first deployed there will nearly always be misalignments between the organisation and the technology, and between both of these and the purpose of the innovation. To overcome these challenges and ensure successful implementation, Leonard-Barton recommends that there should be several cycles of “mutual adaptation” of both user and technical environments – and she asserts that changes in both environments are more beneficial than if one or other of them holds constant (Leonard-Barton, 1988, 265).

In a study of implementation processes, Voss (1992a, 38) specifically observes that firms that made some form of matching organisational change achieved some degree of business success, whereas others that did not make organisational changes were limited to technical success. Leonard-Barton (1988, 265) argues that this is because success partly depends upon the extent to which developers and users want the implementation to succeed, and this circumstance is more likely to arise if the parties perceive that they are co-creating change that will be mutually advantageous.

The argument is then that innovation and implementation do not stop at installation, and effective management of all three life-cycle phases (evaluation, installation, and consolidation) can be crucial in realising business benefits. In a comparison of US and Japanese approaches to implementation, Jaikumar (1986) found that US firms disbanded installation teams as soon as systems were working successfully, but the Japanese left their installation teams in position where they continued to make adaptations, maximise learning and translate innovations into productivity improvements. The implication of this is that Lean thinking already embraces socio-technical approaches and the concept of joint optimisation.

The next section of this chapter describes in more detail some of the factors that affect innovation and change management in UK public sector services. Lean thinking is a new concept in the realm of UK public services³⁵ but its translation into implementation and use corresponds with two of Hartley’s “key dimensions of innovation for public

³⁵ Lean thinking is not new to the private sector but Hartley explains that innovation can include the adaptation of an innovation in a new context, location or time (Hartley, 2006, 26).

sector organisations”, i.e. process innovation and rhetorical innovation³⁶ (Hartley, 2006, 31), and thus accommodates aspects of the innovation literature into the conceptual framework of this thesis.

Lean thinking: innovation and change management

Dunleavy (1982, 215) describes public administration as an area of study that is “... closely linked with practical problems and practiced solutions”. Why then is managing the problem of PAFID not being satisfactorily addressed and why has there been a scarcity of efficacious or innovative solutions? As noted above, NPM was implemented as a means of improving (among other things) public service delivery. Yet, as experts and scholars have argued, the adverse or unintended consequences of the NPM method of service improvement and change management have inhibited widespread tangible service improvement. The argument is that key reform issues like PAFID are not being addressed because NPM (which is characterised as reductionist, fragmented, complex, mechanistic and losing momentum) is not delivering on its promises as originally envisaged.

Extant literature on innovation is focused in the private sector, where there is already an extensive body of work that seeks to determine the characteristics of successful and unsuccessful innovators. For example, see Rothwell (1977, 1985, and 1992), who investigates success and failure in industrial innovation during the latter part of the 20th century. The public sector perspective on innovation has not received as much attention from academics as the private sector. In the private sector, innovation is about competition and survival, but the public sector is more concerned about reducing costs and improving quality - benefits that are most likely to flow from incremental rather than transformational change (Tidd et al., 2005).

The former UK prime minister, Tony Blair, maintains that policy makers are not to blame for the perceived lack of innovation in the public sector. Central government fulfills an enabling role, adopting market-like mechanisms to help services generate innovation and change as a means to remedy poor service delivery (Timmins, 2006c).

³⁶ Hartley uses the expression “rhetorical innovation” to describe the creation of new language and concepts.

Alluding to the cultural inertia that might explain the malaise, the former Premier says that civil servants should be supported when they take risks, thereby allowing them to be more entrepreneurial (innovative) and managerial (Timmins, 2006c). More recently, the government stated that its aim was “to make the UK the leading place in the world to be an innovative business, third sector organisation or public service” (Department for Innovation, Universities and Skills (2008, 11). However, Shepherd maintains that public services research is still not recognised as fundamental to society and points out that “there are few connections and little congruence [sic] between the research councils and public services” (Shepherd, 2008, 8-9).

There are various reasons why some organisations are unable to identify and implement innovations. Drucker (1969) maintains that government is not good at innovation because of its conservatism, which places a premium upon “... doing with proper procedures what has been done before” (Drucker, 1969, 231). Innovation is not easy and does not emerge in a vacuum. What other organisations have and know is not easy to copy. They can be limited by the present and likely future state of technical knowledge, and by the limits of in-house competence (Tidd et al., 2005). Consequently, scholars argue that key considerations need to include the organisational context in which innovation is created and implemented: different organisational circumstances lead to different solutions. Put another way, the organisational culture or ‘the way we do things around here’ affects an organisation’s ability to innovate. Not surprisingly, a supportive environment is desirable to facilitate change and provide encouragement over the long term.

To illustrate the difficulty of innovation in the public sector, Golden and Hughes (2001) present the example of a failed business process reengineering³⁷ initiative in an Irish public sector organisation. The factors contributing to the failure included: a lack of senior management commitment; inadequate planning; limited project scope; lack of a high level project champion; and inadequate employee incentives. Morgan and Murgatroyd (1994, 43) describe a number of possible impediments to the application of quality improvement initiatives in the public sector. They include the absence of market pressures, resistance to change, disconnection between funding and outcomes,

³⁷ Reengineering has been described as the radical redesign of business processes (Hammer and Champy, 1994, 32).

management constraints associated with professionalism and status, complexity generated by 'hidden' customers who have divergent and possibly contradictory demands, and annual budget battles that create short-termism.

All these obstacles, which seem equally applicable to innovations like Lean thinking and NPM, are categorised as challenges to be overcome (Morgan and Murgatroyd, 1994, 56) and not as insurmountable obstacles. McNary (2008) identifies similar barriers that afflict quality initiatives in the US public sector and may also apply in the UK. They include, among other things, the short-term focus of politicians compared to the long-term focus of quality management, and the bureaucratic structure of government that inhibits the integration of quality initiatives. McNary maintains that, in the public sector, increased customer services can increase costs, and points out that it is difficult for public services to define the customer because government serves multiple and often competing stakeholders.

Turning to the key enablers for change, Kotter (1996) maintains that they include: establishing a new sense of urgency; creating a guiding coalition; developing a vision and strategy; empowering broad-based action; generating short-term wins; consolidating gains and producing more change; and anchoring new approaches in the culture. Massey and Williams (2005) describe their experience with the implementation of CANDO/5S³⁸, where the motivation of the people involved emerged as a key factor driving the success of each project. For this reason, it is important not to overlook cross-functional buy-in, group decision making, roles and responsibilities, and people's trust and fears around change. The authors also identify some key factors that might support or hinder the successful migration of Lean tools from manufacturing and retail into an NHS Trust. They conclude that formal organisational structures like hospital trusts are likely to be institutionalised, so that traditions gain rule-like status that renders them highly resistant to change. They explain that acceptance of change is likely to vary depending upon how long individuals have been employed and held their current positions. New employees bring fresh perspectives, diminish consensus and promote behaviour that questions and challenges taken-for-granted practices. Cultural constraints set boundaries on rationality, restricting the opportunities and alternatives perceived by

³⁸ CANDO stands for clean up, arranging, neatness, discipline and ongoing improvement. It is also known as 5S, which means sort, simplify, sweep, standardize, and sustain (Bicheno, 2004, 52).

employees. Massey and Williams (2005) also maintain that isomorphic change (imitation) is often encouraged by uncertainty but can be unsuccessful if cultural differences are not understood. On the other hand, de-institutionalisation can occur when people consciously challenge previously accepted activities and strategies. From their pilot work in the NHS, the authors identified potential barriers to (and facilitators of) change, which may provide insights into the general problem of institutional resistance to change (*see Table 3 below*).

Table 3: Factors that might support or hinder the migration of Lean thinking

Barriers to implementing change	Factors perceived to facilitate change
<ul style="list-style-type: none"> • Insufficient top-level commitment, or middle and operational level support • Poor leadership, such as failing to gain support for changes, failing to support the participants and failing to take ownership of the changes • Weak management, such as adopting an unco-ordinated or fragmented approach • Organisational culture, such as change being seen as a threat • Inadequate communication, discussion, negotiation or planning • Resistance from colleagues within the same department (the lack of support shown by some people for new practices and policies is characterised as a form of “incomplete institutionalisation”) • The change being too emotional, stressful, disruptive, noisy or quick for some people • Some participants being over-zealous and others reluctant to let go of established procedures 	<ul style="list-style-type: none"> • Co-operation and agreement among the participants to action the plan • Education in CANDO/5S techniques • Participants understanding both positive and negative aspects of their situation • Agreeing via consensus the benefits that can be achieved • Thinking of processes as part of a holistic system • Management supporting the project and empowering the team to change procedures and practices and taking action that may sometimes be radical • Allowing time for reflection after the initial implementation • Allowing individuals to become involved and contribute to the debate • Collaboration between all parties operating the system/process • Informing other departments and services about the programme

Source: Massey and Williams (2005).

McNabb (2007, 166) points out that, in the public sector, innovation is made possible by knowledge management. Learning, knowledge management, capabilities (for example, to convert new knowledge into good practice), competencies and organisational structure are just as relevant to the public sector as they are to the private sector. The next section of this review considers the theoretical relevance of knowledge management and learning to our conceptual framework. One way of looking at innovation is as a learning cycle involving experiment, experience, reflection and consolidation. For example, Japanese manufacturing techniques are said to exemplify sustained incremental problem solving and to exhibit “... an almost fanatical devotion toward learning” (Tidd et al., 2005, 505). The same authors go on to assert that “innovation is about knowledge” (Tidd et al., 2005, 15).

Lean thinking: knowledge management

The conflicts between NPM and Lean thinking have deeper underpinnings in the theory of knowledge and the means by which the accumulation and exchange of knowledge can be managed. The theoretical relevance of knowledge management to this thesis resides in two aspects of the research that help to explain *potentially avoidable failure induced demand (PAFID)* and ways in which the problem might be addressed: knowledge management as a means of distinguishing between types of knowledge work, and knowledge management expressed in terms of continuous improvement and organisational learning.

A full discourse about the theory of knowledge is beyond the scope of this thesis, but it is notable that there appears to be no single definition of knowledge upon which scholars agree. In *Theaetetus*, Plato referred to justification, truth and belief, but acknowledged that these were not sufficient to define knowledge. The Oxford English Dictionary Online³⁹ mentions “clear and certain mental apprehension”. The concept of knowledge management is similarly elusive. The Oxford English Dictionary Online mentions the management of the sharing and retention of information in an organisation. Elsewhere, connections with Lean thinking emerge, as one aim of knowledge management must be to deliver the right information to the right person ‘just in time’.

An appreciation of the value of knowledge in the workplace is not new. As Drucker points out, Frederick W. Taylor (1856-1915) understood that the key to productivity is knowledge, not effort (Drucker, 1969, 271). Drucker defines knowledge workers as people who apply to productive work “... ideas, concepts and information rather than manual skill or brawn” (Drucker, 1969, 264). He argues that knowledge has become the central economic resource in the new ‘knowledge economy’, that the acquisition of knowledge has replaced experience as a key requisite for gainful employment and that human capital (competencies) is a key component in the value of a knowledge-based enterprise.

Scholars such as Zeleny (1987) and Ackoff (1989) propose a taxonomy that helps to locate and explain knowledge. The DIKW model (data, information, knowledge and wisdom) structures the four elements⁴⁰ in an information or knowledge hierarchy. Ackoff (1989) inserts another category (understanding) between knowledge and wisdom. Data are defined as raw observations and measurements that have no independent meaning; information as data that have been analysed to create meaning; knowledge as a collection of information that is intended to have a useful purpose; understanding as the ability to generate new knowledge from what is previously known; and wisdom as the ability to generate new understanding. It is argued that the principal purpose of accumulating data, information, knowledge and understanding is to make wise decisions.

Polanyi (1967) distinguishes between two types of knowledge: tacit and explicit. According to this taxonomy, tacit knowledge is know-how that is complex, highly individual and difficult to formalise or communicate, such that “we know more than we can tell” (Polanyi, 1967, 4). Explicit knowledge is information that is easily codified (i.e. captured in records such as libraries and databases) and transmitted. While some scholars maintain that knowledge cannot be managed (Sveiby, 2001; Wilson, 2002), most seem to accept that tacit knowledge is accumulated through experience (or “indwelling”) and can be converted into explicit knowledge (Nonaka and Takeuchi, 1995). The theory of organisational knowledge creation expounded by Nonaka and

³⁹ Available online at <http://dictionary.oed.com> accessed 21/07/09

⁴⁰ Stages of development that are described as know-nothing, know-how, know-what and know-why (Zeleny, 1987, 60).

Takeuchi (which they apply to both private and public sectors) argues that tacit and explicit knowledge are complementary, and can expand over time through a process of mutual interaction that is called the “spiral of organisational knowledge creation” (Nonaka, 1994, 20). Individuals accumulate tacit knowledge through direct, hands-on experience and reflection (Nonaka, 1994, 22). As McNabb asserts when talking about public sector services “... the type of knowledge learned on the job cannot be written in books or learned at the computer” (McNabb, 2007, 31).

Cowan et al. (2000) challenge the “narrow” distinction between tacit and explicit knowledge described above by theorising the existence of a third dimension – tacit but unarticulated and ‘not-yet-codified’ knowledge – which seems to correspond with the argument that much valuable knowledge is retained within the workforce (Nelson and Winter, 1982). There are also parallels and distinctions with the economists’ approach to the categorisation of knowledge work. As Manyika (2006) explains, since the 1930s economic activity has been mostly divided into transformations (making or growing things) and transactions (including services and most knowledge work), and transactions have become predominant. It is argued that a further distinction should be made between routine transactions and ‘tacit interactions’ that rely heavily upon judgement and context. Research suggests that, while the distinctions between the best and worst performing ‘transformation intensive’ and ‘routine transaction intensive’ businesses are relatively small, the differences between the best and worst ‘tacit interaction’ intensive firms are significant (Beardsley et al., 2006).

The argument continues that transformations and transactions (like explicit knowledge) can be codified, but that ‘tacit interactions’ (like tacit knowledge) depend upon a complex mixture of judgement, problem-solving skills and information exchanges in a supportive environment that is difficult to reproduce. The assertion is that ‘tacit workers’ cannot be replaced by machines, and that management can get the best out of these valuable human resources by fostering change, learning, collaboration and innovation. As Manyika (2006) points out, the benefits that may flow from these latent productivity improvements are equally important in the public sector, where increasing the effectiveness of tacit interactions represents a major challenge and a significant opportunity.

Knowledge transfer is not easy (Szulanski, 1996). The factors that inhibit knowledge transfer and innovation (in addition to the difficulties of articulating tacit knowledge) include the internal conflicts and differing cultures that are prevalent within large bureaucracies like UK public sector services. Phelps (2007) appears to suggest that task risks⁴¹ may be increased and organisational learning inhibited by poor information flows. A knowledge management programme is required to convert internalised tacit knowledge into explicit codified knowledge, so that it can be shared, and to enable individuals and groups to internalise explicit knowledge after it has been distributed via the knowledge management system. Various approaches are identified for mobilising the tacit knowledge held by individuals and groups, including the communities of practice that are described below, and the self-organising teams that are prevalent in Japanese firms. The UK's Local Authority Contact Centre Benchmarking Club is an example of a public sector community of practice. Members submit performance-related data that can be used to gauge comparative performance. Quarterly meetings facilitate networking and exchange visits. Frequently asked questions and best practice tips are shared online.

Wenger (2004) describes communities of practice as social structures that put the management of knowledge into the hands of practitioners. The key elements are likely to include: the area of knowledge that brings the community together; the people for whom the area knowledge is relevant; a supportive organisational environment; and an appropriate technological infrastructure (such as a website and/or Intranet). Smith and Blackman (2001) adopt a similar approach, discussing Customer Relations Management systems in the context of managing customer knowledge to understand the customer base, and concluding that having more information is not the same as having more knowledge. They too describe learning as an iterative process where new knowledge emerges from interactions between existing knowledge and new ideas. Empirical support for this approach is provided by Grunden (2007) in a small-scale interview study of County Administration in Sweden. Here, public sector respondents to a survey preferred a bottom-up strategy for the implementation of e-Government, and said that rigorous attention should be given to the social aspects of change. Factors such as participation, communication, structured problem analysis and development-oriented learning processes were among their key concerns. The evidence suggested that a web-

⁴¹ The risks affecting a firm's ability to perform tasks efficiently and effectively (Phelps, 2007, 24).

based study circle would offer the best opportunity for these people to learn together in an online community of practice.

As an illustration of good practice, UK public sector knowledge management is underpinned by a guide produced by the British Standards Institute (2005). While acknowledging that some people consider knowledge management to be a ‘fad’,⁴² the BSI report identifies a range of knowledge and learning-oriented activities that are generating innovation and producing real benefits. Two key aspects of knowledge management theory reappear: the relationship between data, information and knowledge; and the interaction between tacit and explicit knowledge. According to the BSI report, data and information in the public sector become transformed into knowledge through the application of policy and administrative expertise. The benefits of a knowledge management approach in the public sector are said to include the avoidance of: duplication; inconsistency; lack of awareness; loss of knowledge and insight; weakness in the areas of best practice and innovation; lack of joined-up working; inaccurate and out of date information being given to customers; and failure.

The above discussion has highlighted the integral role of knowledge management in helping to improve performance. As already noted, Lean thinking requires careful knowledge management for it to be an effective approach to improving service delivery. Yet good knowledge management by itself is insufficient for improved performance. A necessary companion to knowledge management is the ability of organisations to learn, so that performance may be optimised.

Lean thinking: organisational learning and the learning organisation

Hamel and Prahalad (1994) maintain that knowledge management and organisational learning,⁴³ which are constituent parts of management theory, can also be regarded as important elements of Lean thinking, which have delivered significant competitive advantages. This view is supported by Dyer (2000) who reports that Japanese car

⁴² The differing perspectives taken by knowledge management critics and champions are discussed by McNabb (2007, 19).

⁴³ ‘Organisational learning’ studies models and theories about the way that organisations learn and adapt. Learning organisations then employ this theoretical output to identify ways in which they can continuously adapt and improve (Senge, 2006).

producers increased their market share from 3.6% to 25.5% between 1965 and 1985. The total cost of the components in a Toyota car was 30% cheaper than in a comparable Chrysler vehicle, while production was 35% quicker and customer satisfaction 50% higher. Dyer attributes this success to effective knowledge management and the extent to which Toyota shares knowledge with their suppliers. There is also clear evidence that Toyota's practices resulted in a faster rate of learning. A key point for public sector service providers is that "the lessons that can be learned from Toyota are applicable beyond the automotive business" (David Brooks of Microsoft quoted in Dyer, 2000, 18). Tidd et al. (2005) explain that the Japanese 'quality miracle' is based upon organisational learning and getting it right first time, or "doing what we do, but better" (Tidd et al., 2005, 18).

Essentially, innovation is about learning (Tidd et al., 2005, 57). This thesis does not attempt a comprehensive review of the organisational learning literature, which is extensive, but there are seminal works on the concepts underpinning organisational learning and the learning organisation that reveal implications for change management. For example, Argyris and Schon (1978) consider how organisations learn, and they identify three types of organisational learning. Single-loop learning happens when the detection and correction of organisational errors (changes in the internal or external organisational environment that conflict with organisational theory-in-use that governs actions and accounts for organisational identity and continuity) enables organisations to continue existing policies and objectives. Double-loop learning requires the modification of underlying norms, policies and objectives. Deutero-learning consists of enquiry into the very learning system by which organisations detect and correct their errors. The authors conclude that organisational learning is typically restricted to single-loop learning, and that organisations normally do not engage in double-loop learning or learn how to learn. The most important ingredient is said to be "good dialectic", a process that enables members of organisations to reflect upon and inquire into their learning systems on a continuous basis.

Senge (2006) maintains that reductionist approaches to problem-solving are ineffective because the world is not composed of separate unrelated forces. In other words, problems need to be examined from a holistic 'whole system' point of view. Senge identifies five new 'disciplines' that converge to innovate learning organisations:

systems thinking; personal mastery; mental models; building shared visions; and team learning. For Senge, learning is about continually enhancing the capacity of the organisation to realise its highest aspirations. Consequently, he characterises a learning organisation as “... an organisation that is continually expanding its capacity to create its future” (Senge, 2006, 14). The core learning capabilities are said to be fostering aspirations, developing reflective conversation, and understanding complexity. The learning disabilities of a failing organisation are portrayed like this: “... most of those inside the [failing] empire sense that all is not quite right, but their instincts are to more strongly defend their traditional ways of doing things than to question them – let alone develop the capacity to change their ways” (Senge, 2006, 26). From Senge’s perspective, one can infer an inherent infeasibility of the NPM model, because of its reductionist and hyper-modernist tendencies.

Liker, J. K. (2004) reveals some learning-oriented principles underpinning Toyota’s system of Lean production, the last of which is “become a learning organisation through relentless reflection and continuous improvement” (Liker, 2004, 250). Liker maintains that the true value of continuous improvement is in creating an atmosphere of continuous learning and an environment that welcomes change. He also explains that Toyota establishes stable processes and then uses continuous improvement tools to determine the root causes of inefficiencies and apply countermeasures. A process of standardisation is used to transfer individual and team innovations into organisation-wide learning, in order to convey the knowledge to the right people to make it part of the company’s inventory of understanding and behaviour. Liker explains this strategy in terms of capturing the accumulated learning about a process up to a point in time by standardising today’s best practice, then allowing people to improve on that and subsequently incorporating the further changes into a new standard operating procedure.

Massey and Williams (2005) maintain that any method employed to implement a quality improvement initiative (such as Lean thinking) must have regard to the basic principles of organisational learning. Consequently, the method needs to be replicable, collaborative, requiring joint goals and effort, and adaptable to different organisational environments. Lewin’s action research model is highlighted as a vehicle for change, because it encourages a participative group method to re-educate participants and change values (Lewin, 1951). Training has to be action-based as “knowing-by-doing”

has to be experienced, learnt, shared and disseminated to other team-members. Revans (1976) maintains that “there can be no action without learning and no learning without action”, and describes the organisational learning sequence as: awareness of ignorance; developing a new idea; taking a chance (experimenting); watching the effect; and remembering for the next time (learning).

The aspects of knowledge management and organisational learning described above constitute useful theoretical insights because, in my experience as a senior manager in local government with responsibility for both front-line and back-office services, the processes employed to distinguish between different types of knowledge work and to sustain the learning organisation are often unsatisfactory. For example, customers telephoning public sector contact centres are often connected via skills-based routing technology⁴⁴ to agents with service-specific training, such as building control, environmental health, education, housing benefits and council tax. Information technologies such as Customer Relations Management systems are then deployed to provide these agents with information that they can use to resolve customer enquiries and log service requests.

Contact centres develop online scripts⁴⁵ to codify explicit knowledge about frequently asked questions (FAQs), but the level of analysis rarely extends beyond attempts to distinguish between routine and specialist calls. The most complicated enquiries are ‘handed off’ to specialists, but the distinctive needs of all these ‘tacit workers’ are often overlooked. Furthermore, the online scripts developed for front-line staff are frequently not maintained and fall into disuse. Consequently, misinformation is distributed, and knowledge reverts to being ‘tacit but not-yet-codified’. Sir David Varney makes a similar point, maintaining that “... there needs to be a clearer rationale for where contact, either front-line or back-office, would occur most efficiently or effectively” (Varney, 2006, 14). These aspects will be further explored in Chapters 5 and 6, where the empirical work underpinning this research is described.

⁴⁴ Call centre software applications usually incorporate databases that are capable of holding information about individual agents, including details regarding their current competencies. Calls are then automatically allocated to agents with the relevant skill sets.

⁴⁵ Online scripts usually consist of a series of questions and answers about rules-based enquiries that front-line staff are likely to encounter on a regular basis. Scripts may incorporate links to other online resources, instructions about handing off specialist enquiries to back offices, and guidance about handling and escalating complaints.

Despite the accolades of Lean thinking, caution is necessary because this approach (like New Public Management) could also have unintended consequences. If Lean thinking was comparable to a diet, then other factors that are crucial to the health of the organisation, such as learning and innovation, could be overlooked (Hertog and Huizenga, 2000, 7). There are also possible tensions between the perceived preoccupation with quality, cost and market focus, and the need to invest in knowledge. Lean thinking seeks to extract major efficiency gains by delivering ‘zero defects’, and this requires workers to accept responsibility for the analysis and solution of defects. In this environment, jobs cease to have firm boundaries. Explicit (or embodied) knowledge can be stored in materials, but tacit (or disembodied) knowledge is carried and transferred by people. The knowledge worker makes use of data and information to develop new information and knowledge, but data collection and information processing is part of the task. Consequently, it is difficult to tell where the boundary lies between knowledge work and other activities.

In the public sector, the knowledge workers are “... the men and women in government with the skills and understanding that can only come with education and years of experience” (McNabb, 2007, 31). Knowledge workers are expensive and easily undervalued, but Hamel and Prahalad (1994) demonstrate that the Japanese car industry has successfully combined knowledge management with Lean thinking, to safeguard the ‘core competencies’⁴⁶ that remain key to their prosperity. The literature therefore provides some reassurance that the tensions within Lean thinking that might otherwise inhibit knowledge management and organisational learning can be resolved.

Lean thinking: evidence of migration into the UK public sector

The literature reveals that early experiments with Lean thinking have met with some success in the healthcare sector. For example, Jones and Mitchell (2006, 4) describe a business process redesign programme in the UK National Health Service that reduced end-to-end times in endocrinology and haematics by increasing staff productivity and improving the utilisation of assets such as accommodation and equipment. Similarly,

⁴⁶ A core competence is something that a firm can do well, which meets the three criteria specified by Hamal and Prahalad (1994): it provides customer benefit; it is hard for competitors to imitate; and it can be leveraged widely to many products.

value stream mapping⁴⁷ at the Wirral Hospital is said to have revealed wasted effort and resources during the treatment process; during a 31 week programme the time spent actually treating the patient was just 100 minutes.

Jobcentre Plus is a government agency that aims to support people of working age from welfare into work, and to help employers to fill vacancies. A Jobcentre Plus office in North London started piloting Lean approaches to process improvement during 2007, in order to meet centrally imposed targets for reduced expenditure (personal conversation with the office manager during a site visit on 21st February 2008). Value Stream Mapping techniques were used to re-engineer procedures employed to interview large numbers of benefit claimants and job seekers. Efficiency improvements, such as group briefing sessions instead of individual appointments for lone parents, were developed in the North London office and then rolled-out across the whole Jobcentre service. Jobcentre Plus claims to balance ‘the voice of the customer’ with the needs of the business by treating other stakeholders, such as government ministers and local councillors, as customers whose needs have to be taken into account.

Her Majesty’s Revenue and Customs (HMRC) identified a need to improve its processes because of the significant impact that errors have on the department itself and individual taxpayers (National Audit Office, 2007b). Consequently, they embarked upon a national productivity improvement programme (called Pacesetter) that involves the introduction of Lean thinking across PAYE and self-assessment centres throughout the UK. Working in conjunction with Unipart,⁴⁸ HMRC is also developing its own team of Lean experts, so that the benefits of the project are sustained and continuously improved (personal conversation with Peter Mackie, Business Development Manager, Unipart Expert Practices, 7th April 2008). HMRC’s Lean improvement programme has attracted some controversial publicity. The Public and Commercial Services Union

⁴⁷ Value stream mapping is a form of analysis that can be used to provide diagrammatic representations of business processes. The technique helps to distinguish between value-adding activities and non-value-adding step that may constitute unnecessary or wasteful operations. See for example Hines and Rich (1997).

⁴⁸ Unipart is a manufacturer and third party logistics provider that adopted Lean approaches in the early 1990s by purchasing a supplier to Toyota for the specific purpose of learning about Lean via Toyota’s supplier support programme. Unipart’s Lean methodology, known as The Unipart Way, is distinguished from the Toyota Production System by the addition of an eighth waste; the waste of human potential (Personal conversation with Charles Gray, Unipart Group, during site visit to Unipart Headquarters, Cowley, Oxford, 7th April 2008).

criticised the programme for de-humanising staff by reducing them to nothing more than machines – the staff were allegedly banned from having photographs on their desks (BBC News, 2006). Seddon (2008, 62) is also critical of the Lean approaches employed at HMRC. Nevertheless, The National Audit Office says that HMRC's initial experience of Lean working suggests that "... significant improvements in the accuracy and efficiency of processing Income Tax are possible" (National Audit Office, 2007b).

Warwick Business School (WBS) surveyed a number of public sector organisations (mostly in Scotland) and investigated eight case-study sites and three pilot studies to evaluate the application of the Lean approach in the Scottish public sector (Radnor et al., 2006). WBS found that the methods employed by Toyota could be applied to Scottish public sector services with potentially beneficial effects on employee morale, customer satisfaction and process efficiency (Radnor et al., 2006). The research indicates that Lean is best suited to organisations with high volume transactions that allow greater standardisation and integration, supported by a management structure that allows empowerment and engagement of the workforce.

WBS concluded that rapid improvement events have immediate impact, but the benefits of the full implementation of Lean thinking are more sustainable. In particular, WBS argued that Lean thinking cannot be maintained unless continuous improvement becomes an integral part of an organisation's cultural norms. The authors also warned that Lean is not a 'quick fix', because it requires considerable adaptation from the approach employed in manufacturing. The WBS case-studies included two Scottish local authority settings, but neither of them adopted a comprehensive Lean philosophy: one undertook a series of rapid improvement exercises; and the other employed Lean thinking as a vehicle for cultural change. The pilot studies included one English local authority setting (a housing repairs service), but here again the main focus of attention was upon rapid improvement exercises. Consequently, the WBS research is arguably of limited value in terms of explaining the implementation of full Lean thinking in the public sector. Further work is required and this thesis seeks to reduce the gap.

NPM and Lean thinking: congruence and conflict

This section summarises the points of congruence and conflict between NPM and Lean thinking that have been identified above. Essentially, they help to clarify the key difficulties of NPM as an effective approach for change management and improved performance, and they indicate the potential opportunities that Lean thinking has for improved service delivery. The two bodies of literature reflect congruence in the pursuit of greater economy, efficiency and effectiveness. Both methods emphasise the importance of quality, waste reduction, customer orientation, service automation, incremental improvement, and the better management of performance, information, and knowledge. However, NPM is said to have stalled or lost momentum.

The literature identifies numerous adverse consequences of NPM, which is accused of harming public sector IT performance, hollowing-out staffing structures, creating contract-based risks and barriers, and making the IT industry more powerful than is desirable in a contractual relationship. It is said to have fragmented public institutions, created organisational silos, made joined-up working more difficult, increased policy complexity, and reduced citizens' problem-solving capacities. Other criticisms of NPM address the micro-management of targets, the excessive imposition of inspection regimes, mechanistic approaches to service delivery, the de-skilling of staff, and the failure to respond to the specialist requirements of knowledge workers. It seems unlikely that key reform issues such as the need to address PAFID will be resolved in the current NPM context.

In contrast to NPM, the literature describes Lean thinking as systems-oriented, holistic, integrative, interactive and co-ordinated. Lean thinking is also said to promote qualities such as simplicity, learning, respect, empowerment, participation, and consensus. The literature reveals at least one potential problem with Lean thinking, namely that the need to invest in innovation, organisational learning and knowledge management might be eclipsed by the very strong emphasis that Lean places on quality and cost.

The theoretical and practical insights in this section help to compare and contrast NPM and Lean thinking. They begin to show how PAFID may be managed. Lean thinking, in particular, has been examined to reveal that it may have the potential to deliver

significant productivity improvements, but this has yet to be widely realised. The irony is that, in seeking to address perceived problems of administrative bureaucracy in the public sector, NPM may have exacerbated them. Consequently, this thesis argues that a new context, and a new innovative way of improving the services is required – the adoption of Lean thinking.

Chapter summary

The theoretical perspectives described in this chapter provide the foundations for a coherent framework and integrative approach to the investigation and management of PAFID. The framework embraces New Public Management and e-Government, Lean thinking and agency theory. Other approaches and streams of literature that have enriched the analysis include socio-technical systems theory, innovation, knowledge management, and organisational learning.

Reflecting on the strengths and weaknesses of NPM and e-Government to address service delivery and customer satisfaction, it appears that a case can be made for the utility of the Lean thinking approach in public sector reform of service delivery. However, there is insufficient evidence (particularly in the area of UK local councils) to support any firm conclusions. In the literature, NPM and e-Government are associated with some benefits but also many adverse effects that have rendered the UK public sector unable to address key reform issues such as the eradication or reduction of PAFID. E-Government is shown to lack a cohesive theory that facilitates an evidence-based analysis of likely success or failure, leading to the conclusion that the adoption of ICTs by UK public sector services may be attributable to other (arguably irrational) influences, such as hyper-modernism and isomorphism. The government IT project failures and information security breaches described in Chapter 2, pages 26-27, underline the weaknesses of the current approach. Consequently, the literature supports the contention that ICT-based systems built upon modernist managerial assumptions alone cannot be relied upon to produce the savings and improvements required by government. Alternative methods are needed, but the current NPM-based approach is disguising the potential of other less costly and lower risk solutions.

In this chapter, Lean thinking is revealed as an alternative management philosophy that may have the potential to address key reform issues like the eradication or reduction of PAFID. Lean thinking encourages a holistic approach to problem-solving and focuses on the elimination and prevention of waste. While the literature demonstrates that the principles of Lean thinking are reasonably well established in manufacturing and private sector services, and are spreading into UK public sector services via healthcare and central government, evidence of its successful application in the public sector is still scarce. Reliable evidence of its deployment in UK local government is even rarer. Much of the available information consists of anecdotal opinion and evidence offered by the providers of Lean-oriented consultancy services. Research undertaken by Warwick Business School throws some light on the application of Lean approaches in Scotland but seems to focus on rapid improvement interventions rather than the assimilation of Lean thinking or the integration of continuous improvement, and is insufficient to support any firm conclusions. Two examples of the deployment of Lean thinking by UK central government departments are mentioned in this chapter as evidence of the possible value of Lean thinking in the UK public sector.

Change management, knowledge management and organisational learning are identified as key aspects of Lean thinking, expressed in terms of continuous incremental innovation. A potentially useful distinction emerges from the literature between routine transactions and tacit interactions. The argument is that tacit interactions, like tacit knowledge, are highly complex. Consequently, improving their effectiveness by, for example, nurturing ‘tacit workers’, represents a significant opportunity for productivity improvement. The possible parallels are with the management of customer contacts that can result in PAFID and the public servants who are employed by local councils to resolve complex enquiries about housing and council tax benefits, planning policy, environmental health, homelessness and so on. The literature reveals that knowledge is embedded in organisations through learning, and that Lean thinking promotes the concept of ‘knowing by doing’. Indeed, Japanese industry is identified as an exemplar of the benefits of combining Lean thinking and knowledge management to safeguard ‘core competencies’.

Agency theory is introduced in this chapter because it may help to explain why the current NPM reform path is not delivering the required improvements and savings. For

example, problems with principal-agent relationships between various stakeholders involved in the delivery of public services (because of factors like conflicting interests and information asymmetry) may be contributing to the unintended adverse consequences of NPM and loss of momentum described in the literature.

The theoretical insights and practical approaches summarised above generate a number of possible explanations and questions about Lean thinking and the management of PAFID that need to be addressed and elaborated in subsequent chapters. They indicate the need for empirical understanding of current problems in the NPM context, and the possibilities for reform offered by Lean thinking.

Chapter 4 presents the specific questions that the empirical research seeks to answer. It also discusses the method employed, and explains the principal phases of the empirical research. Finally, the next chapter describes the research design and the techniques that were developed to collect, validate, analyse and interpret data.

CHAPTER 4: METHOD

Introduction

In Chapters 2 and 3, I argued that it was unlikely that the installation of ICT-based systems built upon modernist managerial assumptions alone would deliver the public service performance improvements and efficiency savings mandated by central government. I hypothesised that a better approach would be to improve the services by, for example, eliminating or reducing customer contacts that appear to be precipitated by earlier failures, such as failures to do things right first time, which cause additional and potentially avoidable demands to impinge upon public services. I called this phenomenon *potentially avoidable failure induced demand (PAFID)*. Lean thinking was identified as a possible alternative to NPM for addressing key reform issues of this nature.

PAFID may be interpreted very broadly to encompass virtually any service where delivery quality and effectiveness is an issue. Thus it may be applied to inter-governmental co-operation or prime contractor relations. However, in this thesis a principal focus of analysis is services that involve significant numbers of clients and are negotiated and delivered locally. In this context, the apparently unnecessary activity of PAFID seems to be particularly prevalent in high-volume transactional services such as housing and council tax benefits. In Chapter 2, I observed that the literature had revealed a number of key concepts (including contact cause, value, avoidability and resolution) that could be investigated empirically in order to improve our comprehension of the underlying problem.

This chapter begins by further developing and clarifying the main purpose of this thesis and identifying a series of questions that the research seeks to answer. It also describes the principal phases of the empirical research, which were a pilot exercise and three substantive case-studies in local authority settings. The research design of the pilot project was comprised of four key elements: document review, non-participant observations, semi-structured interviews, and customer journey mapping. The chapter goes on to describe methods and techniques developed during the pilot study to collect, validate, analyse and interpret data.

Research Questions

As already noted in the introduction to this chapter, the central goal of this thesis is to investigate, understand and explain why the phenomenon called *potentially avoidable failure induced demand* occurs. Accordingly, I scrutinised a subset of UK public sector services (housing and council tax benefits services administered by a cross-section of local councils in south-east England) and examined examples of failure (such as duplication, delay, misinformation and error) in order to answer the following Research Questions:

- Q1. What is *potentially avoidable failure induced demand*, and why does it occur in public service delivery?
- Q2. What does an examination of the failure mode tell us about improving the exchange process, diagnosing avoidable failure and resolving it ‘ex ante’?
- Q3. How and under what better conditions could the public sector successfully exploit Lean thinking in order to manage *potentially avoidable failure induced demand*?

The findings will help to: (1) contribute to a theory explaining the occurrence of PAFID; (2) suggest ways in which avertible failure can be eradicated or reduced; and (3) identify conditions under which UK public services can manage PAFID through the successful exploitation of Lean thinking.

Principal phases of the empirical research

There were four principal phases of empirical research, all undertaken in local authority settings:

- Pilot work
- Case-study A
- Case-study B
- Case-study C

The objective was to produce a defensible account of the answers to the Research Questions and to make a contribution to public sector management theory and practice. I adopted a case-study approach as this is a research design that embraces a variety of methods, including document review, interview and observation. It was also the most appropriate way to empirically examine the issue, given the absence of commonly agreed standards for measuring and reporting key elements of PAFID or the actions undertaken to reduce it.

Case-studies

Case-studies are said to be the most flexible and pluralistic of all research designs, potentially overlapping with many other approaches and offering their combined and complementary strengths (Hakim, 1987; Eisenhardt, 1989b; Yin, 1994). They can also be characterised as a method of exploring elements of the social world through comprehensive description and analysis of a single individual, setting, group, episode or event (O'Leary, 2005, 79).

Limited sample organisational studies, such as this thesis, are vulnerable to the accusation that the findings are not generalisable but Yin (1994, 39) maintains that the argument lies in their generalisability to theoretical and analytical concerns. It has been said that legitimate, valid and worthwhile solutions to research questions may be obtained from case-studies because the answers "... may lie in the rich history of an event or the day-to-day practices of a workplace" (O'Leary, 2005, 79). I maintain (following Trow, 1957, 33) that "the problem under discussion properly dictates the method of investigation". Bryman (1984) explains that even research that claims to rely heavily on one methodology or the other (quantitative or qualitative) often contains elements of both, and there is no necessary correlation in social science research between methodology and technique. Following Caplan (2007), I argue that it is important to use multiple theoretical lenses, and that it is legitimate to employ quantitative approaches to identify concepts (issue areas) and then qualitative methods to unpack them.

The literature reveals that indicators of good research⁴⁹ can be satisfied by maintaining a high degree of rigour (Collis and Hussey, 2003, 58) and incorporating appropriate mechanisms into the research design - such as documenting the procedure so that later investigators could repeat the study and arrive at the same findings and conclusions (Yin, 1994, 36). Allan (1991, 181) gives particular emphasis to the merits of a rigorously explicit and systematic approach. Eisenhardt (1989b) highlights the benefits to be derived from the triangulation (the combination of research methods) made possible by multiple sources of evidence, which provide stronger substantiation of constructs and hypotheses. The literature on ethnographic and participant-observer approaches to data collection suggests the importance of concepts such as building trust, retaining an analytical perspective, and maintaining meticulous contemporaneous records (Collis and Hussey, 2003). Such records can even include the researcher's own views and experiences, as these data will aid critical reflection on the factors influencing the research (Easterby-Smith et al., 1991, 57).

On site, the case-study approach enabled me to strive for reliability and absence of bias by asking different questions of different people, by checking earlier responses with subsequent respondents and by obtaining a wide range of data from key informants. I sought to achieve validity through the "richness and depth in understanding" (O'Leary, 2005, 80) that emerged from the co-operation that I received from the case-study councils, and from the access that I was given to the knowledge and meaning of those involved.

Local councils

The exploratory phase of this research was concerned with the conceptualisation of the research problem in a local authority setting. English local authorities can be separated into three categories, and *Annex 1* on pages 265-266 contains a full list of councils segregated according to the following typology:

⁴⁹ O'Leary (2005, 74-76) identifies and describes fifteen indicators of good research: objectivity, neutrality, transparency, reliability, dependability, validity, authenticity, generalisability, transferability, reproducibility, auditability, usefulness, legality, morality and ethicality.

- *County councils*, which have responsibility for strategic planning, highways, social services, education, libraries, fire, refuse disposal and consumer protection.
- *District councils*, which run local planning, housing, environmental health, markets and fairs, refuse collection, cemeteries, crematoria, leisure services and parks, tourism and electoral registration.
- *London borough, metropolitan borough and unitary councils*, which are single-tier authorities that run all services in their areas.

I selected services administering housing and council tax benefits for the case-studies because these two statutory schemes are administered by local councils, but financed and controlled by central government's Department for Work and Pensions (DWP). More than £16 billion was paid to some 9 million claimants during 2004/05 (Zebedee et al., 2007, 2), which prompts Seddon (2008, 27) to describe housing benefits as a non-trivial example of a problematical public service. The legislation governing the assessment and payment of housing and council tax benefits is similar to other means-tested benefits such as Income Support and Jobseeker's Allowance, which are administered centrally by the DWP. The high degree of commonality between these schemes, which operate both centrally and locally, is likely to enhance the transferability of the findings that emerge from this research. A further potential advantage to be gained from the study of housing and council tax benefits services is that there is already anecdotal evidence to suggest that high levels of PAFID occur in these areas (Seddon, 2003, 2008; Caulkin, 2005; Green, 2006).

Three types of local councils administer housing and council tax benefits services and one example of each was investigated: a district council, a London borough council and a unitary council. As previously explained, I am a part-time student in full-time work. It was therefore necessary to aim for economy of time and effort by restricting the selection to councils in the south-east Region, which has sufficient variety of councils to provide some basis for generalisation.

Contact centre environments

Government argues that "what happens in a contact centre is often indicative of an organisation's overall service delivery capability" (HM Treasury, 2007b, 15). As

corporate contact centres are currently at the heart of public sector service provision, attention was given to housing and council tax benefits services that could be observed in these environments. Contact centres strive for high levels of first time resolution. The ‘one and done’ mentality that they employ is similar to the ‘get it right first time’ philosophy underpinning Lean thinking, which is typically deployed to prevent defects, remove waste and eliminate non-value-adding activities, principally in the manufacturing and services sectors. Lean thinking and its potential importance for the management of PAFID was described in Chapter 3.

In spite of the vulnerability of contact centres to the various unintended consequences of NPM for the implementation and management of ICT (described in Chapter 3), contact centre environments are useful as ‘laboratories’ in which to study customer service and PAFID. The literature distinguishes between call centres and contact centres. A call centre combines people and technology to enable the delivery of services via the telephone, whereas a contact centre supports additional access channels,⁵⁰ such as e-mail, fax, web pages, and web chat (Gans, Koole and Mandelbaum, 2003; Graumann, Arnold and Beltjes, 2003). Digital television, video conferencing, mobile telephones, SMS text, letters, and face-to-face visiting should be added to the list of access channels. The aim of call centres and contact centres is to provide end-to-end services without having to connect customers to other units within the organisation, or undertake any additional work. Calls resolved in this way, on first contact, are referred to as ‘one and done’. Providers seek to offer comprehensive services through constant availability, short response times and competent staff (Graumann, Arnold and Beltjes, 2003).

Call centres and contact centres are not new; they were devised some 30 years ago when the US manufacturer Rockwell integrated the call handling capabilities of a telephone switchboard with the processing power of a computer to produce an automatic call distributor system (Parkes, 2000). The automatic call distributor’s main function is to distribute calls among contact centre staff, and is likely to incorporate skills-based routing technology. An automatic call distributor system will normally place callers in a queue if all the agents are busy, and ask them to hold the line. Some systems provide callers with predictions of their anticipated waiting time. The callers who have been

⁵⁰ Access channels are alternative methods or media, such as face-to-face visits and telephone calls, which customers can use to make contact with service providers.

waiting the longest will normally be the first served when appropriately skilled agents become free, in accordance with the ‘first in first out’ or FiFo principle (Graumann, Arnold and Beltjes, 2003).

The effective implementation of a contact centre can improve interactions, such as telephone conversations with customers, through the deployment of new technologies and working practices. The Improvement and Development Agency (2004) maintains that a contact centre solution has the ability to deliver three benefits simultaneously: better customer service; improved effectiveness; and cost savings. Service improvements can occur because agents have all the information and authority they need to resolve enquiries at the point of first contact. Effectiveness can be enhanced by redefining, improving, standardising and automating some business processes; this may create opportunities to re-deploy back-office staff to the front line. Cost savings may arise from more effective working practices, the release of expensive accommodation, better process efficiency, and increased productivity (Improvement and Development Agency, 2004). However, “the costs, risks and efforts required are quite high and the benefits, although real, are difficult to achieve” (Morey, 2003).

Case-study councils

Three councils fulfilled the criteria outlined above and responded with enthusiasm for the research project. Council A is a district council in south-east England, Council B is a London borough council, and Council C is a unitary council in south-east England. By developing a better understanding of PAFID in housing and council tax benefits services, the research facilitated an appreciation of the PAFID that is likely to affect other high-volume transactional services such as State Pensions, Income Support, Jobseeker’s Allowance, Tax Credits, Pension Credits and Child Support.

Council P was identified as the most suitable location for the pilot work because I was employed there in a senior capacity. The choice was also partly serendipitous⁵¹ in that the Chief Executive shared my passion for improvement of the customer experience. The advantages of this location for the pilot study (which included the aforementioned

⁵¹ Bryman (1988, 10) describes luck and serendipity as one of many ‘untidy episodes’ in social research that are omitted from the standard systematic representation of the research process.

support from top management, easy access, an appreciation of interactions that might be obscure to someone without experience in context, minimal cost and productive use of time) significantly outweighed the difficulties that could have arisen out of my dual role as researcher and senior practitioner.⁵² For example, ethical challenges could have occurred because of clashes between personal and professional interests (Easterby-Smith et al., 1991, 98) but I developed protective measures to guard against these potential problems, which are described later in this chapter. I was also acutely aware that the dignity and well-being of the respondents was central to the integrity of the research.

This doctoral research was facilitated by my membership of two public sector professional organisations: the Institute of Revenues Rating and Valuation, and the Chartered Institute of Public Finance and Accountancy. I also participate in three local authority benchmarking clubs⁵³ (including the Local Authority Contact Centre Benchmarking Club) and the CRM National Projects ‘Service Transformation Experience Programme’, which is a ‘community of practice’ around CRM. These constitute an extensive network of councils and other public agencies. Contact details are shared, and effective mechanisms exist for sharing information and communicating enquiries. My senior professional capacity in local government provided privileged access to these sources, and the availability of these networks facilitated objectivity in the investigation of success and failure.

During the pilot study, which is described in the next section of this chapter, I focused upon the housing and council tax benefits sub-components of the organisation at Council P. Here, I was able to combine specialist knowledge with good access to informants and respondents.

⁵² O’Leary (2005, 14) defines practitioner-based research as “an engagement in a rigorous research protocol with a clear goal of obtaining credible data and producing trustworthy results”.

⁵³ My role was limited to the submission of data (call volumes, response rates, abandon call rates and unit costs) to an officer in a London Borough Council. The data were analysed, along with the returns from many other councils, and the output was circulated to participants in the form of charts illustrating comparative performance. I had no involvement with, or influence over, the analysis of the data or their distribution among the membership.

Pilot study

Pilot document review

The purpose of the pilot document review was to identify useful and accessible sources of historical and contextual data that would facilitate the compilation of ‘service biographies’ describing the organisational environments in which the substantive case-studies were to be conducted. Publications such as budget books, annual accounts and corporate plans were available online, via the corporate websites of the case-study councils. Data about the performance of housing and council tax benefits services (measured in terms of centrally imposed performance indicators) were submitted electronically by councils to the Department for Work and Pensions on a quarterly basis between June 2001 and March 2008.⁵⁴ Data collection ceased in 2008, due to concerns about the security of the electronic links between councils and central government, and the connection has not been restored.

Pilot observations

The aim of this phase of the pilot project was to: (1) develop, test and refine a method of observing,⁵⁵ recording, validating and analysing customer enquiries in contact centre environments; and (2) to identify preliminary issues for subsequent exploration during key informant interviews. An attempt was made to obtain information from Council P’s Customer Relationship Management system (an ICT system that enables customer services staff to record brief details about customer contacts), but it did not facilitate the collection of data about multiple contacts relating to individual enquiries, and records of individual contacts were either entirely absent from the system or not sufficiently informative to be useful.⁵⁶

⁵⁴ This material is publicly available online at <http://research.dwp.gov.uk/asd/hobod/> (accessed 29/08/09).

⁵⁵ David Hume asserted that “we must glean our experiments in this science from a cautious observation of human life and take them as they appear in the common course of the world, by men’s behaviour in company, in affairs, and in their pleasures. Where experiments of this kind are judiciously collected and compared, we may hope to establish on them a science, which will not be inferior in certainty, and will be much superior in utility to any other human comprehension” (from the Introduction to Volume 1 of Hume’s ‘A Treatise of Human Nature’ available online at <http://www.gutenberg.org/etext/4705> accessed 29/08/09).

⁵⁶ It subsequently transpired that none of the case-study sites could generate useful data from their CRM systems because the records were incomplete, incomprehensible or inaccessible.

Key features of customer contact (i.e. cause, value, avoidability and resolution) were identified during the literature review that preceded this empirical research and I designed an instrument (called here a data collection sheet) to capture data about these characteristics (see *Annex 2*, pages 267-268). In the interests of transparency (and to guard against researcher bias) I also drafted guidance notes explaining how cause, value, avoidability and resolution could be categorised, and then shared these proposed parameters with managers, team leaders and staff.

Consensus about the meanings of key concepts was reached through an iterative process of discussion, reflection and revision. For example, a discussion arose about the most appropriate way to refer to the apparently unnecessary customer contact that was being investigated, because some staff said that terms such as failure, waste and defect implied criticism of their work. After several iterations, the expression ‘potentially avoidable contact’ was chosen for use in the workplace. Examples included the provision of supporting evidence after housing benefits claim forms have been submitted, customers enquiring about the progress of claims, customers seeking explanations or making complaints, enquiries caused by officer errors or omissions, and duplication (customers being asked to do the same thing more than once). These transactions were characterised as potentially avoidable because they appeared to be caused by earlier failures that might have been prevented (see *Table 4* below).

Table 4: Illustrations of PAFID likely to be encountered during the research

Examples of PAFID	Possible failures causing PAFID
Customers are providing supporting information and evidence after their original housing and council tax benefits claims have been submitted.	The council is failing to adequately explain what information and evidence is required. It has ineffective administrative arrangements for collecting and recording information and evidence provided by customers.
Customers are enquiring about the progress of outstanding housing and council tax benefits claims.	The council is taking too long to process benefit claims. The council is failing to keep customers adequately informed about the progress of benefit claims.
Customers are asking for explanations about benefits awarded, refused or recalculated.	The council is obliged to issue notices explaining awards but they are not sent promptly and the content is confusing, so they are not understood by the recipients.

Similarly, four possible categories of contact resolution were identified: one stop (enquiries resolved on first contact); returned (enquiries passed back to customers for them to take some action); service requests (such as requests for bank details to be updated that would be referred to the back office for action later); and passed over (enquiries beyond the competence of customer services staff that would be immediately handed off to the back office). Consequently, a trial data collection sheet (see *Annex 2* on pages 267-268) was used to facilitate the collection of these details and to convey (on the reverse side) basic information about the purposes of the research. The intention here was to be transparent about the criteria employed by reproducing them on the instrument. The information placed on the sheet included hypothetical examples of contacts that (if they arose) would be considered as valuable, and enquiries that (if encountered) would be categorised as potentially avoidable.

Pilot telephone contacts

Thirty-five telephone calls from customers about housing and council tax benefits were monitored during one working day. I sat next to several different customer service agents and monitored calls using a 'splitter' cable that enabled me to listen to conversations (using headphones) but not to participate in them. Housing and council tax benefits telephone calls were focused on the agents being observed by adjusting skills-based routing settings on the computerised contact centre system (a Siemens Hi-Path ProCentre) to exclude all other agents. This was only partly successful, as some benefits customers still got through to other agents by making incorrect push-button selections in response to the welcome message on the call centre system. These mis-routed callers were automatically transferred to the agents if they were free. Alternatively, the agents called them back later the same day. An operational impact of this arrangement was that the agents involved in the pilot research took fewer calls than usual (they would normally cover several service areas simultaneously), and this may have affected the way in which they handled calls. For example, it seems likely that the agents who were able to spend more time on calls would have achieved better rates of contact resolution and customer satisfaction than those who were under pressure due to high call volumes.

I completed the trial data collection sheets during or immediately after the telephone calls, and categorised the contacts between cause, value and resolution. Some contacts were initially ambiguous, but I was able to discuss and clarify them with the agents between calls. To guard against researcher bias, I shared the completed data collection sheets with the agents and two volunteer research assistants (graduates employed in responsible positions who were willing and able to undertake work of this nature to a high standard), and sought agreement that the contacts were correctly coded. No changes were required, but I would have made amendments if we had agreed that my initial interpretations were incorrect.⁵⁷

I was aware that my presence during these transactions was likely to have some impact. There are many well-documented problems with observation, including observer bias and the potential impact of the observer upon the observed. For example, psychologists have identified a phenomenon called ‘demand characteristics of the experimental situation’ (Orne, 1962), which refers to the situation where participants (subjects) in experiments form preconceptions about desired outcomes and change their behaviours accordingly, normally in an unconscious effort to be ‘good subjects’ and to help the experimenters achieve the ‘right’ results. Similarly, in management theory, the so-called ‘Hawthorne Effect’ is usually described as the possibility that individuals singled out for a study may improve their performance because of the added attention they receive from the researchers, and not necessarily because of any variables being explored during the study (Bartol and Martin, 1994, 30). However, an examination of the literature reveals inadequacies in this interpretation of what happened during the Hawthorne studies and the ‘illumination studies’ that preceded them. Reappraisals of the research describe seemingly contradictory results that are open to a variety of explanations (see for example Landsberger, 1961; Greenwood et al., 1983; Adair, 1984; Greenwood and Wrege, 1986). Whilst observing people handling customer contacts and experimenting upon ‘subjects’ are clearly different activities, it seems likely that similar psychological factors are involved. Consequently, I took precautions to address this potential methodological problem.

⁵⁷ This interactive approach is consistent with the overall methodology, which employs quantitative approaches to identify concepts for subsequent exploration using qualitative methods and not for the purpose of demonstrating statistical significance.

My principal strategy was to emphasise at every opportunity that I was simply monitoring customer contacts and that I had no interest (from a research point of view) in the staff or their performance. I remained as inconspicuous as possible and dressed casually to reinforce the message that I was just an observer. I sat well back from the workstations, took no part in contact handling, and made no comment about how they were handled – even if I thought that they should have been handled differently. I took notes discreetly, sometimes turning away and feigning disinterest while still listening to what was happening. I showed the completed data collection sheets to the staff and their team leaders, to provide reassurance that the record did not refer to them or their activities. When the agents were not taking telephone calls or answering my questions they were wrapping up earlier enquiries, initiating call-backs or engaging in banter with colleagues - so it was not difficult to remain detached.

In parallel with the pilot observation work described above, I developed a spreadsheet-based model for capturing and analysing the data. The spreadsheet facilitated the generation of charts like those illustrated in *Figures 3 and 4* below. The categories of customer contacts reported in the figures (e.g. customers providing documents, customers advising changes of circumstances, etc.) were representative of actual customer enquiries observed during the pilot research and thus contributed toward the process of identifying the nature and causes of PAFID.

Figure 3: Pilot study – illustrative presentation of causes of customer contact

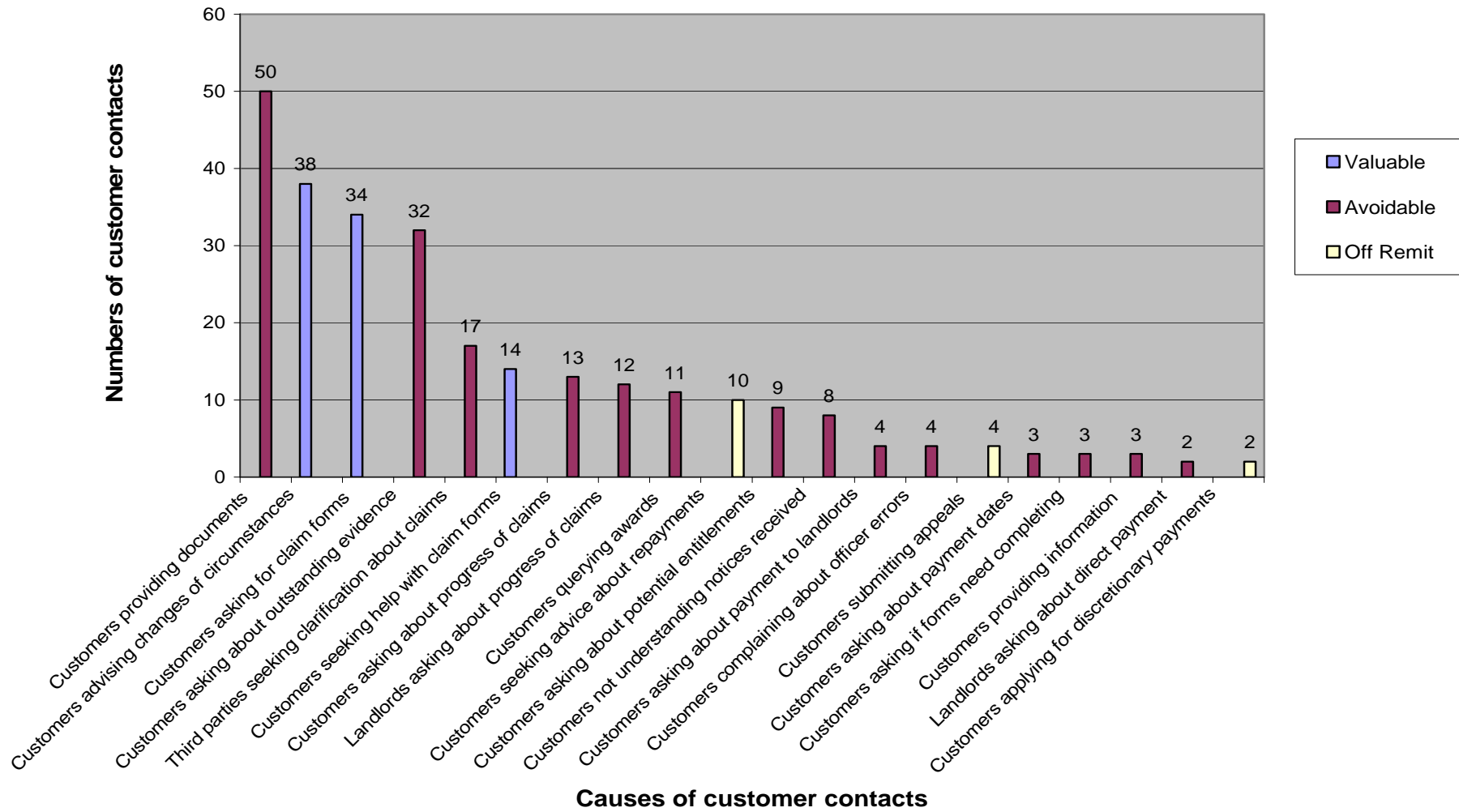
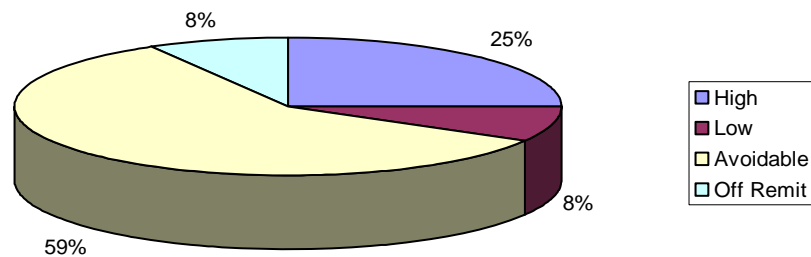


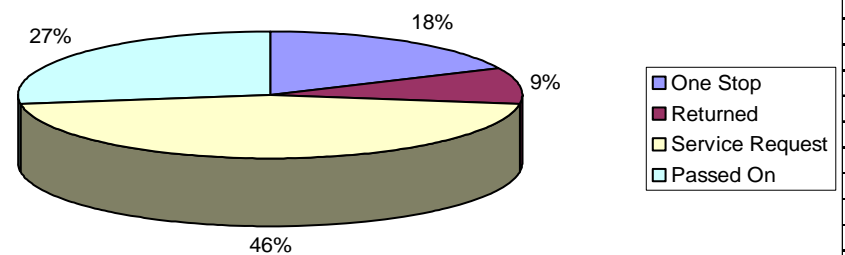
Figure 4: Pilot study - illustrative analysis of contact value and resolution

Channel	Date	Sheet	Row	Cause	Value				Resolution			
					High	Low	Avoidable	Off Remit	One Stop	Returned	Service Request	Passed On
Telephone	09/05/2007	0001	01	wrong number call transferred				1				
			02	customer querying overdue payment			1		1			
			03	customer progress chasing outstanding claim			1		1			
			04	customer representative notifying change of circumstance	1						1	
			05	customer representative progress chasing outstanding claim			1					1
			06	customer representative querying overdue payment		1						1
			07	landlord complaining about delayed payment			1			1		
			08	landlord progress chasing outstanding claim			1				1	
			09	customer progress chasing outstanding claim			1				1	
			10	customer progress chasing outstanding claim			1					1
			11	customer advising change of circumstance	1						1	
			12	customer seeking estimate of entitlement	1						1	
				COUNT	3	1	7	1	2	1	5	3
				PERCENT	25	8.3	58.3	8.3	18.2	9.1	45.5	27.3
								99.9				100.1

Contact Value



Contact Resolution



The outcome of the pilot observation work on the telephones was that 35 calls were monitored, 74% of them were classified as potentially avoidable (i.e. attributable to failures that might have been prevented), and 70% appeared to be resolved on first contact. A variety of causes of customer contacts were identified, ranging from customers providing information about changes of circumstances through to customers complaining about officer errors. The most frequent cause of contact was customers seeking clarification about further information and evidence that they were required to produce in support of outstanding housing and council tax benefits claims – and this was a class of activity that had been categorised in advance as unnecessary and potentially avoidable. However, no statistical significance was attached to the outcomes of the pilot project, the purpose of which was to test and improve the research design for the subsequent case-studies.

Pilot face-to-face contacts

The following week, I spent one full day observing face-to-face customer contacts at the public enquiry counter in the civic centre at Council P. I sat with customer service agents covering three interview booths and a ‘fast flow’ reception desk. The same agents were on duty at the same workstations both morning and afternoon. They dealt with a range of service enquiries, but the purpose of the research was to monitor only those enquiries relating to housing and council tax benefits.

I monitored 53 face-to-face enquiries, using the data collection sheets and criteria for classifying contacts that were generated during the pilot work on the telephones. As before, in order to guard against observer bias, I sought clarification from the agents as necessary, and shared the completed data collection sheets with them to ensure that the codings were correct. Otherwise, I remained as unobtrusive as possible, sat well back from the counter and took no part in the proceedings. I took notes discreetly and moved away to avoid being drawn into conversations with customers when agents left their workstations (e.g. to take photocopies, obtain stationery and take comfort breaks). It was not difficult to remain detached because we were separated from the customers by a substantial glass screen.

The spreadsheet that I developed to capture the data about telephone contacts (see *Figure 4* above) was also used to secure the data about face-to-face enquiries. The outcome of the pilot observation of face-to-face contacts was that 53 contacts were monitored, 49% of them were classified as potentially avoidable, and 36% appeared to be resolved on first contact. As before, a variety of reasons for the customer enquiries were identified, the most frequent being customers providing information and evidence in support of outstanding housing and council tax benefits claims. This activity had previously been categorised as unnecessary. It was noted that more of the face-to-face contacts than the telephone contacts were categorised as valuable, and fewer of them were resolved on first contact. While no statistical significance was attached to these outcomes, the data helped me to frame questions for the subsequent interviews.

An investigation of incoming customer correspondence about housing and council tax benefits proved to be unproductive. It transpired that most of the material (257 documents received on one working day) had originated at the public enquiry counter, where it had been deposited by customers who did not want to wait for interviews. Consequently, there was no information about contact cause, value, avoidability or resolution. Other customer access channels such as e-mail, online enquiries and text messages were investigated but none were received during the period of the pilot research, which highlighted the very limited penetration of electronic service delivery at that point in time.

Pilot interviews

The objectives of the pilot interviews were to clarify the characteristics of the issues under consideration, to identify some preliminary concepts for subsequent exploration, and to help frame suitable questions for the substantive case-studies. The questions addressed three principal themes: *potentially avoidable failure induced demand*, contact resolution and Lean thinking. I sought to establish what was known about these concepts, how they might be explained, what actions had been taken, and how successful any previous improvement programmes were perceived to have been.

I began by circulating an e-mail asking for volunteers from among the contact centre staff and received three responses. I contacted the respondents by e-mail to secure their informed consent, to settle the administrative arrangements, and to finalise agreements about confidentiality and anonymity.

The pilot questionnaire protocol, reproduced in *Annex 3* on pages 269-270, consisted of a brief explanation of the research, which was read to each participant at the beginning of each interview. There were also 11 questions on the sheet, together with possible prompts in case participants were initially unable to respond. The interviews (which lasted between 20 and 50 minutes each) were conducted in a private office, and were captured in the form of digital recordings. All of the respondents said that they were comfortable with this approach. I attempted to maximise the content of the feedback and give some structure to the events by providing advance notice of the questions. However, it was apparent during the interviews that the participants were more comfortable and forthcoming when allowed to range across the topic at their own pace. Consequently, I limited myself to ensuring that each of the key concepts was discussed at some point in the conversation.

The interview recordings were subsequently transcribed verbatim using a convention based on Schenkein (1978, xi-xvi) and illustrated in *Annex 4* on pages 271-272. The transcripts and recordings were then copied electronically to the respondents for comment and correction, but they did not request any alterations.

An auditable procedure was required that would identify the key points contained in the data without losing the richness of this mass of information. I was reluctant to employ a formal coding scheme because this could have obscured the meaning of the data to the point where it became fragmented and de-contextualised. For example, a seven-step sequential approach to qualitative data analysis is identified by Miles and Huberman (1994) but techniques like this have been criticised for being “idealised, linear [and] goal-directed” (Bryman, 1988, 8) as a result of which they fail to capture the quirkiness and messiness of real-world social research.

Turner (1988) explains how the potential disadvantages of a sequential approach to qualitative data analysis can be avoided. He describes a process of going through

interview transcripts, numbering paragraphs for reference purposes and writing down the titles of preliminary concepts. Examples of the occurrence of these concepts are then recorded. When a number of instances of an occurrence have emerged, an attempt is made to define the overarching concept in plain English. Inter-relationships between concepts then start to emerge. Turner describes these activities as iterative and overlapping in a continuous cycle of observation, analysis and theorising that stops when it becomes exhausted (Turner, 1988, 110).

I employed an adaptation of Turner's method that involved scrutinising the interview transcripts, giving each paragraph a unique identification number for reference purposes, highlighting what appeared to be key phrases, and copying these into a separate column. The two research assistants (previously described on page 98 above) then examined the transcripts independently and the three of us worked towards a consensus about the sections of narrative that were to be regarded as significant. An illustration of the output from this first phase of analysis is set out below at *Table 5*.

Table 5: Pilot study - illustration of sequential analysis stage 1

Row	ID	Narrative	Key Comments
222	MS	Experienced staff have to make a lot of call-backs when inexperienced staff cannot take incoming calls.	Experienced staff have to make a lot of call-backs when inexperienced staff cannot take incoming calls
223	KM	So it results in call-backs, OK.	
224	MS	Which is still a better service than a lot of companies provide. A lot of companies tell the customers to phone back, but it still means {mm} that the experienced staff have got to call back and consequently the enquiry is not dealt with on first contact.	consequently the enquiry is not dealt with on first contact

In the next phase of the analysis, each respondent's key comments were clustered into concept areas using the 'mind mapping' technique illustrated in **Figure 5** below. Mind mapping has been described as a note-taking method that seeks to mimic the brain's function with the use of colours, branches and pictures (Abbott, 1992; Anderson, 1993; Oslapas, 1993), but it was also a very useful technique for sorting and categorising the mass of information contained in the interview transcripts.

Figure 5: Pilot study - illustration of sequential analysis stage 2 (mind mapping)



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I then transferred the data to a new document and realigned the key phrases with frequently occurring concepts such as resources, communication, quality and technology. The data were also separated into two categories called 'Diagnosis' and 'Prevention' with a view to clarifying what happened, why and how it might be avoided. The presentation of the re-assembled data is illustrated in **Table 6** below, using the concept area of 'resources' as an example.

Table 6: Pilot study - illustration of sequential analysis stage 3

Preliminary concept: <u>Resources</u>			
Diagnosis (what happened and why)		Prevention (how it might be avoided)	
222	experienced staff have to make a lot of call-backs because inexperienced staff cannot take incoming calls	256	revenues and benefits training would stop some of the call-backs
		286	there should be more assessors instead of pre-assessors
		581	we need more benefit assessors on the front line and better trained customer services staff – but do we have the spare assessment staff and space to do this?

Finally, the preliminary concepts were reorganised by aligning implicit standards of customer care with the consequences of breaching those standards (i.e. how PAFID is manifest), and the ways in which those breaches might be prevented. Here again, in an iterative process, the analyses were read, interpreted, adjusted and re-read by myself and the two research assistants. I ensured that the resulting output remained well-grounded in the original interview material by sharing it with the interviewees, but again no alterations were suggested (see **Table 7** below).

The pilot questions about Lean thinking yielded insufficient information because the interviewees had little understanding of the concept. Consequently, in the substantive case-studies, the questions sought to investigate the penetration of the Lean techniques introduced in Chapter 3, such as continuous improvement, defect prevention, knowledge management and business process redesign.

Table 7: Pilot study - illustration of sequential analysis stage 4

Implicit standard	Consequence of breaching standard	Prevention
There should be sufficient front-office staff to deal with customer demand. Front-office staff should be knowledgeable, skilled and experienced in the handling of housing and council tax benefits claims.	Inexperienced staff are unable to deal with housing and council tax benefits enquiries. If experienced staff are not available to take calls, they are having to call customers back at a mutually convenient opportunity. The double-handling of these enquiries increases administration costs, damages customer relations and reduces resolution on first contact.	<p>More staff, better training (including cross-training between the front and back offices) and more comfortable surroundings would help the organisation to recruit and retain experienced staff.</p> <p>Care should be taken not to over-skill staff for the work that is required from them.</p> <p>Staffing resources should be redistributed to improve the balance between pre-assessors, assessors and the front line.</p>

Pilot customer journey roadmaps

As explained in Chapters 2 and 3, the literature contains references to opportunities for improvement and innovation available from customer journey mapping (Cabinet Office, 2008). During the pilot study, I established that there were 16 different types of housing and council tax benefits claims. I selected a sample of five claims with the longest end-to-end customer journey times completed in the preceding six months, because these seemed most likely to display recent examples of the phenomenon under investigation. I then examined all available records, tabulated details of the associated customer journeys, and formulated ‘challenge questions’ regarding any potentially avoidable contacts. These questions were incorporated into a tabulation that captured the claim history and then submitted to the service head for consideration and response. Finally, the details about each customer’s experiences, the challenge questions and responses were all converted into a pictorial presentation, called here a ‘customer journey roadmap’. The causes of potentially avoidable contacts (i.e. service failures that might have been prevented) were arranged in decreasing order of frequency to highlight the most common occurrences. Illustrations of a claim history, customer journey roadmap and summary of contact causes are set out below at *Table 8, Figure 6 and Table 9*.

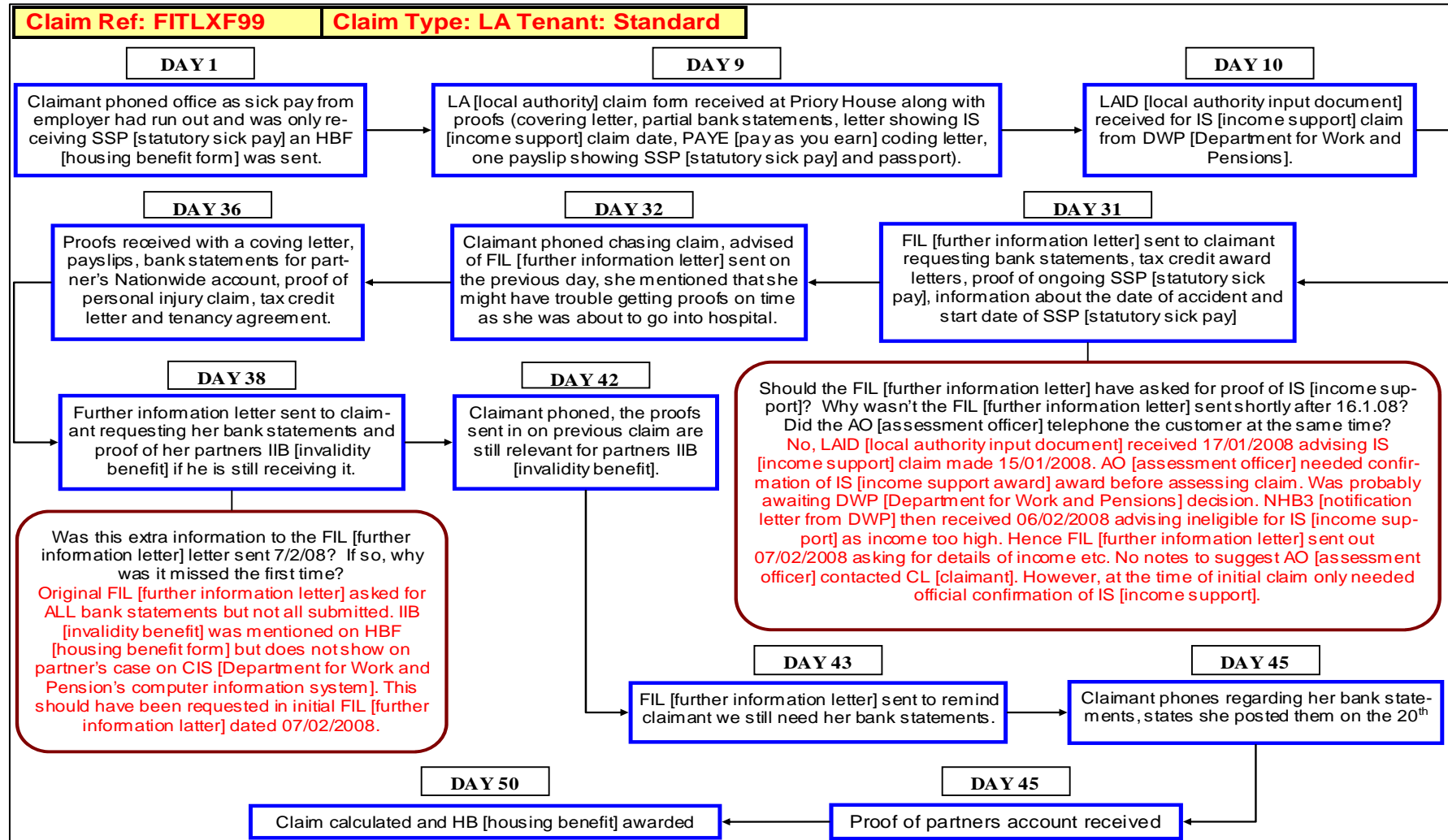
Table 8: Pilot study - illustration of a housing benefits claim history

Claim Ref: FITLXF99		Claim Type: Local Authority Tenant - Standard			
DATE	DAY	ACTION	OFFICER	COMMENT	RESPONSE
07/01/2008	1	Claimant phoned office as sick pay from employer had run out and was only receiving SSP [statutory sick pay] a HBF [housing benefits form] was sent.	MA		
16/01/2008	9	LA [local authority] claim form received along with proofs (covering letter, partial bank statements, letter showing IS [income support] claim date, PAYE [pay as you earn] coding letter, one pay slip showing SSP [statutory sick pay] and passport).	MA		
17/01/2008	10	LAID [local authority input document] received for IS [income support] claim from DWP [Department for Work and Pensions].	MA		
07/02/2008	31	FIL [further information letter] sent to claimant requesting bank statements, tax credit award letters, proof of ongoing SSP [statutory sick pay], information about the date of accident and start date of SSP [statutory sick pay]	AP	Should the FIL [further information letter] have asked for proof of IS [income support]? Why wasn't the FIL [further information letter] sent shortly after 16/01/2008? Did the AO [assessment officer] telephone the customer at the same time?	No, LAID [local authority input document] received 17/01/2008 advising IS [income support] claim made 15/01/2008. AO [assessment officer] needed confirmation of IS [income support award] award before assessing claim. Was probably awaiting DWP [Department for Work and Pensions] decision. NHB3 [notification letter from DWP] then received 06/02/2008 advising ineligible for IS [income support] as income too high. Hence FIL [further information letter] sent out 07/02/2008 asking for details of income etc. No notes to suggest AO [assessment officer] contacted CL [claimant]. However, at the time of initial claim only needed official confirmation of IS [income support].

Table 8 (continued):

Claim Ref: FITLXF99		Claim Type: Local Authority Tenant - Standard			
DATE	DAY	ACTION	OFFICER	COMMENT	RESPONSE
08/02/2008	32	Claimant phoned chasing claim, advised of FIL [further information letter] sent on the previous day, she mentioned that she might have trouble getting proofs on time as she was about to go into hospital.	GK		
12/02/2008	36	Proofs received with a covering letter, pay slips, bank statements for partner's Nationwide account, proof of personal injury claim, tax credit letter and tenancy agreement.	GK		
14/02/2008	38	Further information letter sent to claimant requesting her bank statements and proof of her partners IIB [invalidity benefit] if he is still receiving it.	AP	Was this extra information to the FIL [further information letter] letter sent 07/02/2008? If so, why was it missed the first time?	Original FIL [further information letter] asked for ALL bank statements but not all submitted. IIB [invalidity benefit] was mentioned on HBF [housing benefits form] but does not show on partner's case on CIS [Department for Work and Pension's computer information system]. This should have been requested in initial FIL [further information letter] dated 07/02/2008.
18/02/2008	42	Claimant phoned, the proofs sent in on previous claim are still relevant for partners IB [invalidity benefit].	GK		
19/02/2008	43	FIL [further information letter] sent to remind claimant we still need her bank statements.	AP		
21/02/2008	45	Claimant phones regarding her bank statements, states she posted them on 20/02/2008	RL		
21/02/2008	45	Proof of partners account received			
26/02/2008	50	Claim calculated and HB [housing benefits] awarded	AP		

Figure 6: Pilot study - illustration of a 'customer journey roadmap'



The value of the customer journey mapping technique was demonstrated by the revelation of an additional category of PAFID that was not identified during the observation or interview stages of the research, namely process delays within the organisation itself. *Table 9* below reveals that 20 out of 22 examples of PAFID (from five sample claims) were attributable to internal delays.

Table 9: Pilot study - illustrative summary of contact causes

Causes of potentially avoidable failure induced demand identified during customer journey mapping	Number of occurrences
Delays assessing claims	8
Delays requesting further information	5
Delays dispatching notification letters	3
Requests for unnecessary information	2
Delays conducting visits	1
Delays creating council tax accounts	1
Delays suspending claims	1
Delays receiving documents from outstations	1

It would have been preferable if the data from the mapping exercises could have been supplemented by conversations with the actual customers concerned. This would have constituted a more sophisticated process that sought to validate the information recorded by the council, confirm the customers' expectations, and identify the most positive and negative aspects of the journey. The council could, if it had wished, then sought to move toward a situation in which it was getting it right where it mattered most to its customers. However, the detailed enquiry that was necessary to establish exactly what happened during the assessment of the selected claims caused anxiety among the benefits assessors, who seemed unused to such close scrutiny of their work. For example, this nervousness manifested itself in long delays between the submission of challenge questions and the provision of answers, and in conspicuously incomplete responses. I therefore decided to restrict the deployment of this tool.

Critical analysis of the pilot study

The pilot study highlighted some methodological problems, which I sought to minimise during the subsequent case-studies. The issues identified and the responses to them are set out in *Tables 10, 11 and 12* below. The interview questions about Lean thinking elicited few detailed responses, and it was necessary to redraft the interview schedule for subsequent use. Direct references to Lean thinking were removed, as the expression was not meaningful to the respondents, but questions about sub-categories of Lean (such as continuous improvement, waste prevention and getting it right first time) were included. The revised questions also acknowledged the possibility that different staff in different places would have different perceptions of concepts such as failure, value, avoidability and resolution. The revised data collection sheets and questionnaire protocols that emerged from the pilot study are reproduced at *Annex 5* on pages 273-274 and *Annex 6* on pages 275-276 respectively.

Table 10: Pilot study - critical analysis of the non-participant observations

Issues arising during the pilot study	Precautions taken during the case-studies
<p>Precautions were taken during the pilot study to guard against potential ‘demand characteristics’ but it is unlikely that any such influences were entirely negated. For example, some agents seemed anxious about the quality of their responses and sought reassurances from me that they had answered correctly. It appeared to me that some particularly diligent wrap-up work was done (e.g. checking system information with the back office and ringing back customers to verify details) that might not have been done in normal circumstances.</p>	<p>Particular care was taken to explain to management and staff that data were being gathered about customer contacts and not about staff or their performance. I sought to establish in their minds that it was not an experiment, they were not ‘subjects’ and there were no anticipated outcomes that they could help me to achieve. I endeavoured to minimise the impact of my presence upon the staff by being as inconspicuous as possible and by restricting my interaction with them to the minimum amount necessary to secure their ongoing co-operation.</p> <p>I took no part in contact handling or problem resolution and made the process of collecting the data as transparent as possible, to reinforce the message that I was not monitoring the customer services agents but simply observing the contacts they were handling.</p>

Table 10 (continued):

Issues arising during the pilot study	Precautions taken during the case-studies
<p>Precautions were taken during the pilot study to guard against observer bias, but according to Nagel (1986) there is no such thing as a view from nowhere.</p>	<p>The research design does not rely upon data from the observation work alone, nor was there any pretence that the quantitative results were statistically significant or generalisable. Other techniques were employed, including semi-structured interviews and customer journey roadmaps.</p>
<p>The pilot study revealed that concepts such as failure, value and avoidability mean different things to different people. For example, management were generally of the opinion that customer contacts should be defined from the perspective of the organisation. So, for example, a repetition of an earlier enquiry was not valuable and was potentially avoidable. But a number of staff argued that contacts were valuable, even if they were potentially avoidable, if they mattered to customers. Consequently, it became clear that the identification of contact categories, and the subsequent allocation of contacts between those categories, would involve a degree of subjective judgement that was likely to vary in significance from site to site.</p>	<p>At each case-study site, I took particular care to explain that the output from the quantitative research would have to be treated with caution, that structure and quantification were no guarantee of accuracy, and that the key informant interviews should be seen as the principal methodological tool.</p> <p>I explained why the meanings attributed to concepts such as contact cause, value, avoidability and resolution were important and would vary from one council to another. I obtained agreement about what cause, value, avoidability and resolution meant to each council before data collection began, and I publicised the agreed meanings by reproducing them in guidance notes on the reverse of the data collection sheets.</p> <p>Subsequently, during the research, I collected the data openly, asked for clarification whenever contacts seemed ambiguous, and shared the completed data collection sheets with the agents. Finally, I secured the services of two competent research assistants at each site, who scrutinised the completed data collection sheets and highlighted potential errors. We were able to reach agreement about the coding, but I would have relied upon my own judgement if there had been disagreement, on the basis that people employed by the case-study councils were likely to have conflicting interests.</p>

Table 10 (continued):

Issues arising during the pilot study	Precautions taken during the case-studies
<p>The telephone contact centre and public enquiry counter were both challenging environments in which to collect data. During the pilot study, the volume of telephone calls was lower than usual because enquiries about services other than housing benefits were diverted to agents other than those that I was sitting with. Consequently, it was sometimes difficult to maintain concentration. On the other hand, the public enquiry counter was so busy that it was sometimes difficult to follow what was happening. Agents sometimes became involved in more than one enquiry at a time and moved on to new enquiries before completing old ones, returning to finish earlier enquiries during quieter periods.</p>	<p>Prior to the substantive case-studies, I explained to all the participants that I wanted them to maintain ‘business as usual’, with no special arrangements for filtering or redirecting customer enquiries. During quiet periods, I took the opportunity to clarify ambiguous contacts. During particularly busy periods I concentrated upon, and captured the details of, one contact at a time.</p>
<p>The design of the pilot data collection sheet was cluttered. The recording of contact identifiers endangered the aim of not collecting personal data. There were two ambiguous categories of contact resolution: ‘service request’ and ‘passed over’. The format of the guidance note on the reverse of the data collection sheet was over-complicated, with several layers of indentation.</p>	<p>During the substantive case-studies, a redesigned data collection sheet and guidance note was employed (see <i>Annex 5</i>, page 273-274). Any details that could be used to identify the customers or customer service agents were removed. Seven columns of data were reduced to four: row number, contact cause, contact value and contact resolution. Contact value was revised to better reflect the typologies identified during the literature review: high value, low value, potentially avoidable and off remit. Contact resolution was redefined to better reflect the range of outcomes experienced during the pilot observations: one stop resolution; repeat contact; passed back to the customer; and passed on to the back office.</p>
<p>Council P’s CRM system contained information about many customer transactions, but it was not structured in ways that facilitated investigation of contact cause, value or resolution.</p>	<p>Ample data was collected during the substantive case studies, when more than 1250 customer contacts were observed and analysed.</p>

Table 11: Pilot study - critical analysis of the semi-structured interviews

Issues arising during the pilot study	Precautions taken during the case-studies
<p>The administrative arrangements that preceded the pilot interviews (e.g. sending explanations about the research and invitations to interviews by e-mail and then confirming appointments via Outlook) worked well. However, it seemed to me that electronic communication might be too impersonal in different settings, where ICT systems might be less reliable and misunderstandings about the nature and purpose of the research were more likely to arise.</p>	<p>During the case-studies, I specified what sort of people I wanted to interview (staff constituting cross-sections from top to bottom and front to back of each organisation) and management selected the individual candidates. I took control as soon as possible by sending my own explanations, invitations and contact details to the potential respondents by e-mail. I followed-up the first message with at least two others, one confirming the timetable and meeting place for the interviews, and the second containing a simplified list of the questions that I intended to ask. I also spoke to most of the candidates in person during the preceding week, to confirm their attendance and address any concerns.</p> <p>Additional correspondence was necessary where appointments had to be rearranged or first-choice candidates were substituted with others.</p>
<p>The location of the pilot interviews (a private office environment) was effective in terms of being clean, tidy, spacious, quiet and uninterrupted. The respondents seemed to be relaxed, but the arrangement (face-to-face across a large table) was formal, and the power relationship unequal because the staff were aware that I was a senior practitioner.</p>	<p>My preliminary communications with the case-study sites detailed the facilities that I would need, including quiet and comfortable rooms for interviews. All three councils provided generous facilities, but these were restricted to normal office accommodation. I sought to reduce the formality of the situation by dressing informally, rearranging the furniture to remove barriers between the respondents and myself, and by providing refreshments such as tea, coffee, bottled water and biscuits.</p> <p>The power relationships were more equal during the substantive case-studies than during the pilot study, particularly at Councils B and C where I did not know the respondents and they only knew that I was doing research that was intended to help them improve the services.</p>

Table 11 (continued):

Issues arising during the pilot study	Precautions taken during the case-studies
<p>Open questions were effective in terms of avoiding yes/no answers. I sometimes abbreviated the introduction to reduce formality, but one respondent subsequently asked for clarification, which suggested that she wasn't as familiar with the purpose of the study as I had expected. I tried to avoid suggesting answers while asking questions, but it was initially difficult not to fill silences when respondents were not as forthcoming as expected. The answers to some questions were less detailed and coherent than expected.</p>	<p>During the case-studies, I was more persistent in response to incomplete answers and offered more examples in order to elicit more detailed replies. I was less uncomfortable with silences, and restricted my humour to those occasions when some levity seemed necessary to put respondents at ease. Later in each sequence of questions I sought to validate some of the ideas that emerged from earlier interviews – but only after I had allowed time for these ideas to emerge spontaneously.</p>
<p>The recording arrangements (digital recorder and discreet microphone) were effective. All of the respondents were willing to be recorded but, on one occasion only, I forgot to activate the recorder and was subsequently obliged to rely upon hand-written notes. Immediately after each interview, I saved the audio file to a PC or lap-top computer and a USB stick.</p>	<p>During the case-studies, all of the respondents were content to be recorded. I developed a routine (a sequence of essential actions) for ensuring that the recording machine was switched on and working before each interview commenced. This included recording and playing back a short sequence of my own words. I maintained a supply of replacement batteries for the recorder. Finally, after saving each file in two locations, I e-mailed the data to myself at home.</p>
<p>Transcribing the recordings and analysing the data was more time-consuming than anticipated. The process of sequentially analysing the data was successful in terms of identifying key phrases and preliminary concepts while retaining the connection with the original interview material. I kept the respondents connected with the process by asking them to check and agree the transcripts. There was a danger that they would ask for inappropriate changes but they did not do so.</p>	<p>During the case-studies, I took notes of key issues as they arose during the interviews, so that it was easier to ask follow-up questions and identify key concepts that had not been raised. This device made it easier to complete the subsequent analyses because I had a contemporary record of the main points that arose during each conversation. This enabled me to maintain a connection between the data and the subsequent analyses, and to retain the character of the feedback provided by individual respondents.</p>

Table 12: Pilot study - critical analysis of customer journey mapping technique

Issues arising during the pilot study	Precautions taken during the case-studies
<p>The number of benefit claims selected and the sampling method employed were not adequate for the production of generalisable results.</p>	<p>It was not intended that the quantitative results of the case-studies should be statistically reliable. The customer journey mapping exercise was just one of several techniques employed which, when taken together, sought to identify and unpack relevant concepts.</p>
<p>The record of officer actions and customer contacts maintained by the staff was sometimes incomplete. This was illustrated by responses to challenge questions that elicited information not recorded on computer systems.</p>	<p>During the case-studies, it was sometimes necessary to accept explanations offered by staff that were not evidenced by information recorded on relevant computer or paper-based systems.</p>
<p>The challenge questions necessitated detailed enquiries into the causes of PAFID. This process highlighted errors and oversights by individual assessors, who then became anxious about being held to account for their actions. Responses to challenge questions were sometimes incomplete and delayed. Managers were reluctant to allow customers to be interviewed about their experiences, or to progress detailed enquiries into individual claims, because of misgivings articulated by staff.</p>	<p>During the case-studies, challenge questions were directed at management, on the assumption that they were more likely to be candid about the failures that they identified because they were not directly involved in benefits assessment work. Managers were asked to compile and submit responses themselves, and to be as open as possible about failures and their causes. Personal contacts developed during the observation work were used to obtain essential information, but care was taken not to jeopardise the positions of respondents. Management's reluctance to involve customers in this phase of the research, or to conduct anything more than light-touch investigations into any failures they identified, was respected.</p>
<p>Little information was available from the council's records about the extent to which housing and council tax benefits claimants interacted with other agencies (e.g. the DWP, HMRC, Citizens Advice Bureaux and local authority housing departments) during the end-to-end journey of their claims.</p>	<p>During the case-studies, a variety of records were accessed in order to extract as much information as possible about entire customer journeys. Assessment officers were asked to identify potentially avoidable contacts that appeared to be attributable to other agencies.</p>

Chapter summary

In this chapter, I described the research purpose underlying this thesis and set out the Research Questions that it seeks to answer. I explained why I adopted the case-study approach and selected as case-study sites three housing and council tax benefits services administered by local councils. I then described four phases of pilot work (document review, non-participant observations, semi-structured interviews, and customer journey mapping) conducted in a local authority contact centre, and illustrated tools and techniques that I developed for capturing, analysing and displaying relevant data. Finally, I critically analysed the pilot work, described the precautions taken to prevent potential methodological problems arising during subsequent case-studies (described in Chapters 5 and 6), and explained a number of changes that were introduced following the pilot study to improve the research design.

During the pilot observation work, it emerged that perceptions about concepts such as contact value, avoidability and resolution depended upon the perspectives of the various stakeholders involved. This preliminary finding echoes the discussion in Chapter 3 about agency theory (see pages 55-57) and the potential adverse consequences of conflicts of interest between principals and agents. It also resonates with the observation made by Jowett and Rothwell (1988) reported in the same chapter (see page 57) regarding the interest-related nature of the definition of performance, as a consequence of which the authors maintain that there are circumstances in real life in which performance cannot be accurately gauged.

Chapter 5 will explain how the research methods and techniques developed during the pilot study were applied during three substantive case-studies. The aim of conducting three case-studies was to capture data that: (1) facilitated the analysis of more than 1250 customer enquiries (from the three case-studies) according to contact cause, value and resolution; and (2) enabled the findings from the case-studies to be compared and contrasted, to further illuminate the problem of PAFID and to reveal similarities and differences that might determine the extent to which generalisability could be inferred from the conclusions.

CHAPTER 5: DATA COLLECTION, VALIDATION & FINDINGS

Introduction

In Chapter 4, I described a case-study approach and four-phase research design that was tested and adapted during pilot work conducted in the housing and council tax benefits services department of a local council in south-east England. In this chapter, I will describe the collection and preliminary analysis of data captured during three substantive case-studies that were conducted in similar local authority settings, using the research tools and techniques described in Chapter 4. Detailed analysis and discussion of the primary data, examination of their inter-relationships with the concepts and theories identified during the literature review, and consideration of the extent to which the research has addressed the Research Questions is reserved for Chapters 6 and 7.

Case-study A

This case-study involved the investigation of customer contacts handled by housing and council tax benefits services provided by a district council in south-east England, which is called Council A in this thesis. Four phases of research were conducted during the summer of 2007: document review, non-participant observations, semi-structured interviews, and customer journey mapping.

The methods employed to collect, analyse and validate the data during this case-study were developed during the pilot study described in Chapter 4. For example, the precautions needed to guard against potential ‘demand characteristics’ described in Chapter 4 on page 98, and against observer bias described in *Table 10* on page 114, were re-employed during this case-study. The process of securing agreement about the meaning of key concepts (i.e. contact cause, value, avoidability and resolution) and the discipline required to ensure the consistent application of the associated criteria, was derived from the pilot study. Data about cause, value, avoidability and resolution were recorded using the revised data collection sheet template and guidance notes that emerged from the pilot work (*see Annex 5* on pages 273-274). Examples of PAFID were included in the guidance notes on the reverse of the data collection sheets, to

clarify its meaning and convey that information to staff before the process of collecting the data began. In an iterative process, the data and analyses generated during the case-study were studied, discussed, interpreted and adjusted if necessary by myself and two volunteer research assistants, who were graduates possessing the necessary skills to undertake work of this nature to a high standard.

Document review

A ‘service biography’ was developed in order to capture key data about the organisation within which the research was subsequently conducted. The analysis involved a survey of online information about the council and its housing and council tax benefits services covering the period from 2000 to 2007. I obtained data from websites maintained by Council A, the Department of Work and Pensions, and the Audit Commission. The council provided me with organisation charts, inspection reports and benchmarking data.

The documentary record revealed housing and council tax benefits services that were performing well in both absolute and comparative terms. For example, in 2006/07, new benefit claims were processed within an average of 32 days, changes of circumstance were resolved within 14 days and some 99% of benefit assessments were calculated correctly. The services scored highly following a Comprehensive Performance Assessment by the Audit Commission in 2003. In 2005/06, the services scored above (i.e. better than) average in a wide range of measures compiled by the Institute of Public Finance’s housing and council tax benefits benchmarking club. The services were an integral part of a department that was awarded a Charter Mark⁵⁸ for customer service excellence.

There was some evidence that the services had suffered an increase in caseload of new housing and council tax benefits claims between 2002 and 2007 without an associated increase in staffing resources, and this appeared to be associated with a deterioration of new claim turn-around times over the same period. The implementation of a new

⁵⁸ Charter Mark was an award (now replaced by Customer Service Excellence) offered by central government to UK public sector organisations achieving high standards of customer service (<http://cabinetoffice.gov.uk/chartermark/about.aspx> accessed 10/09/09).

corporate contact centre service in 2006 appeared to have adversely affected staff morale. However, a careful examination of end-to-end processes, viewed from the customers' perspective, suggested reduced variation and improved performance after November 2006. This encouraging picture of recent progress was consistent with outstanding workloads (which were historically low), but the data did not explain the development. Nevertheless, the services were on target to achieve 'top grade' status across several central government performance measures during 2007. In other words, there was nothing to suggest that the subsequent research would discover high levels of PAFID.

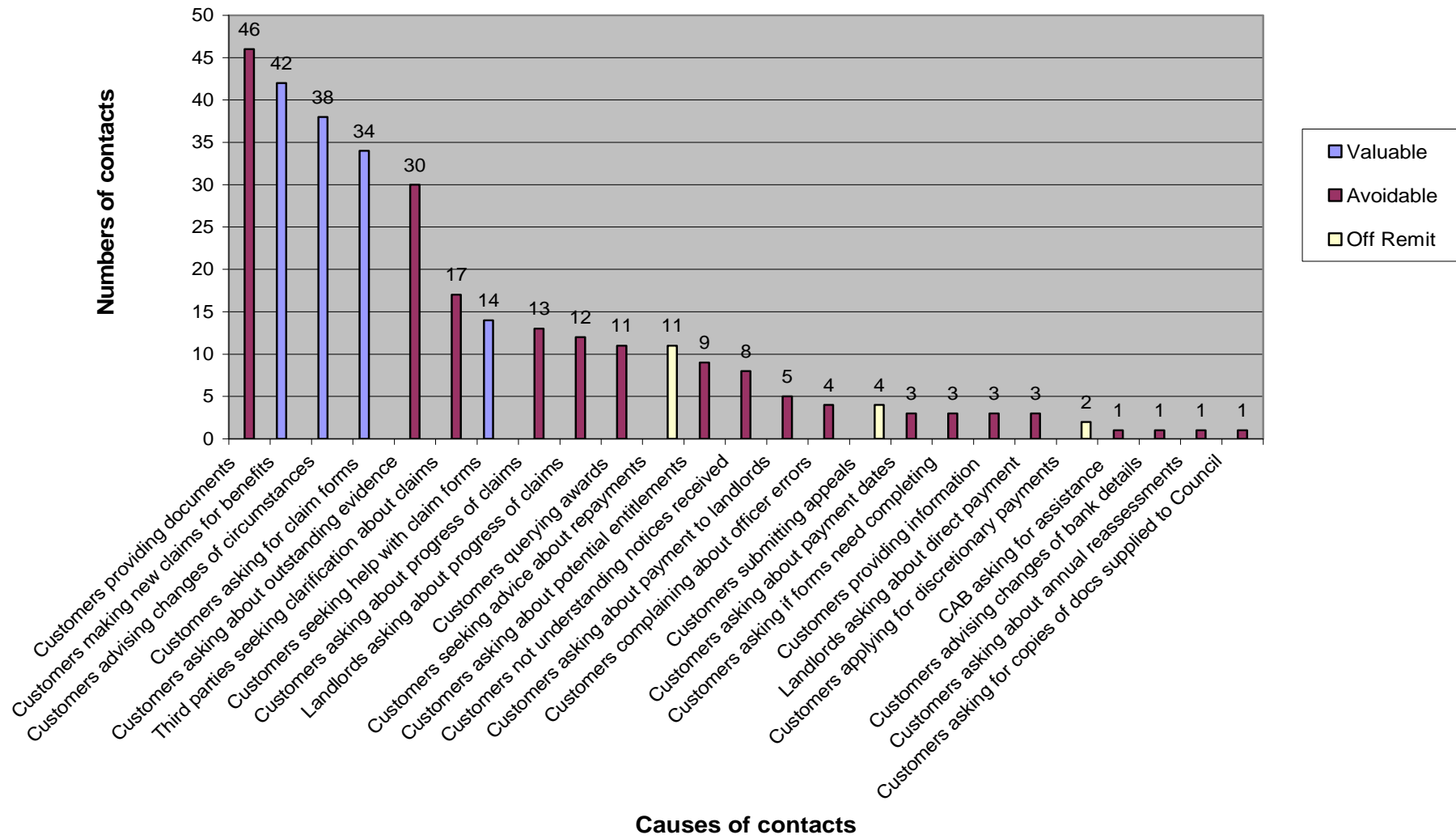
Non-participant observations

To collect the data, I sat with customer service staff in the corporate contact centre and public service area at Council A for two full weeks. During this time, they dealt with more than 330 telephone calls and face-to-face enquiries about housing and council tax benefits services.

Categorisation of customer enquiries by cause of contact

Categorisation by contact cause (e.g. customers advising changes of circumstances, customers making new claims for benefits, customers not understanding notices received) generated the displayed in **Figure 7 below**, which revealed the most frequently occurring causes, sorted in order of decreasing frequency. The chart excludes some of the least frequent causes of contact (those that occurred only once) because this enhances the display, but it is still apparent that the top four causes accounted for the majority (84%) of the total contact. More than one in three of the contacts (37%) were attributable to the provision of supporting documentation (such as tenancy agreements, pay slips, bank statements and evidence of entitlement to other state benefits) by claimants or other agencies that should have been supplied with original claim forms at earlier stages in the process.

Figure 7: Council A - analysis of customer enquiries by contact cause



Categorisation of customer enquiries by value of contact

Categorisation of the customer enquiries by contact value indicated the proportion of those enquiries that were characterised as PAFID. The overall level of potentially avoidable contact was more than half (53.5%), but this varied between nearly 68% on the telephones and more than 46% face-to-face (see **Table 13** below).

Table 13: Council A - categorisation of customer enquiries by value of contact

Access Channel	Number of Contacts	Valuable Demand	Potentially Avoidable Demand	Other
Telephone	109	23 (21.1%)	74 (67.9%)	12 (11.0%)
Face-to-face	224	107 (47.8%)	104 (46.4%)	13 (5.8%)
Total	333	130 (39.0%)	178 (53.5%)	25 (7.5%)

Categorisation of customer enquiries by resolution of contact

Categorisation of customer enquiries by contact resolution revealed that a relatively small proportion (about 19%) of the telephone and face-to-face enquiries were resolved while the contacts were taking place (see **Table 14** below). More than half the enquiries (about 54%) were passed back to customers for them to take some further action, such as completing claim forms or producing further documentary evidence of entitlement. Just over a quarter (about 28%) of the contacts resulted in the transmission of service requests into the housing and council tax benefits back office, such as requests to complete the assessment of new claims or process changes of circumstances where all necessary documentation had been received. The lowest proportion of one-stop resolution, and the highest level of referral back to the customer was observed in connection with the value (i.e. valuable) contact, while the highest amount of one-stop resolution, and lowest level of referral back applied to the potentially avoidable and off remit contact.

Table 14: Council A - categorisation of customer enquiries by contact resolution

Contact Value	Resolved One Stop		Passed Back		Passed On		Repeat but now Resolved		Total
	No.	%	No.	%	No.	%	No.	%	No.
Valuable	3	0.9	89	26.7	38	11.4	0	0	130
Potentially Avoidable Failures	43	12.9	84	25.2	50	15.0	1	0.3	178
Off Remit	8	2.4	4	1.2	5	1.5	8	2.4	25
Total	54	16.2	177	53.1	93	27.9	9	2.7	333

While the quantitative data did not fully explain the situation, it seemed likely that the low levels of contact resolution were themselves at least partly attributable to failures of some description. For example, staff would be unable to consistently collect or dispense correct and complete information to customers if they were inadequately trained. Staff would be unable to explain benefit awards or deal with customer enquiries about award letters if the letters were incomprehensible. Similarly, it seemed likely that high levels of PAFID would be associated with low levels of contact resolution, as customers contact the organisation repeatedly seeking satisfaction. The key informant interviews described below were expected to throw some further light on these issues.

Semi-structured key informant interviews

To enrich the quantitative analysis, ten volunteers were interviewed from among the front-line and back-office staff at Council A, in order to capture a cross-section of opinions. The participants included managers, supervisors and junior assistants. The techniques employed in this case-study for conducting, transcribing, analysing and validating the data were developed during the pilot study described in Chapter 4.

The first Research Question seeks an explanation for PAFID: what happens and why? The respondents at Council A offered numerous illustrations of potentially avoidable contact. Building upon the work initiated during the pilot study described in Chapter 4, Stage 3 of the sequential analysis involved sorting the responses into ten categories that represented the most frequently occurring concepts. They were communication, value, processes, quality, resolution, attitudes, knowledge, resources, targets and technology.

The second Research Question asks how PAFID can be avoided. Applying the fourth phase of the sequential analysis, as developed during the pilot study, **Table 15** below is a distillation and reorganisation of the responses. For detailed responses, see **Annex 7** pages 277-295. As before, implicit standards of customer care were aligned with the consequences of breaching those standards to generate a schedule of ways in which failures might be prevented. The output in **Table 15** below addresses Research Questions 1 and 2.

Finally, **Table 16** below presents examples of Lean thinking in practice that were identified during the interviews at Council A. *These examples address Research Question 3 regarding the deployment of Lean thinking as a possible means of addressing PAFID.*

Table 15: Council A - sequential analysis stage 4

Implicit standard	Consequences of breaching standard	Prevention
Logging letters, notices and forms sent to customers should be clear, consistent and concise.	Customers telephone the call centre or visit the public enquiry counter seeking clarification when they do not understand letters and forms sent to them.	<p>Telephone or face-to-face communication with customers is more effective than correspondence because it is easier to explain complexities and requirements.</p> <p>A customer-friendly approach, combined with attention to detail by staff at every stage (particularly with regard to the production and despatch of logging letters), will ultimately speed up the process and reduce the overall workload by decreasing the number of times that customers need to contact the service.</p>
All customer enquiries should be valuable from the organisation's perspective and resolved on first contact.	Currently, the organisation communicates with individual customers several times in order to elicit information. Customers make repeated and potentially avoidable contacts with the service. This activity adds to administration costs, reduces customer satisfaction and slows down processes.	<p>The housing and council tax benefits scheme is inherently complicated, but staff should be encouraged to take their time, 'get it right first time', and deal with foreseeable problems as they arise.</p> <p>The process would benefit from the earliest possible involvement of experienced housing and council tax benefits assessors.</p>
The various parts of the organisation involved in the administration of the housing and council tax benefits service should be co-ordinated and consistent.	A 'them and us' mentality in some sections of the organisation inhibits improvement and innovation by impeding the flow of information and ideas.	<p>Staff guidance notes and standardised procedures should be generated, communicated and implemented throughout the organisation.</p> <p>Systems should be developed to encourage co-operation, learning and knowledge sharing.</p> <p>Communication with partner agencies like the Department for Work and Pensions and Her Majesty's Revenue and Customs should be improved.</p>

Table 15 (continued):

Implicit standard	Consequences of breaching standard	Prevention
Workloads should be reasonable so that staff can help each other and pay attention to detail.	Actions taken in parts of the organisation cause unnecessary customer contacts to impact upon other parts of the organisation.	<p>The organisation should look for simple and effective ways of doing things.</p> <p>Barriers that have arisen between front and back-office staff, and between back-office staff and customers, should be reduced through some form of co-location.</p>
Information communicated to and collected from customers should be of a consistently high quality.	Back-office staff are duplicating the work undertaken by front-office staff (in case it is not correct), and claimants are being asked for superfluous information that generates unnecessary customer contacts.	Front-office staff should be encouraged and enabled to take their time with customers and to pay attention to detail.
Both back and front-office staff should be comfortable in a customer service environment.	Some back-office staff are not at ease when dealing with customers and can be unhelpful, which causes delays and unnecessary contacts.	Checks should be conducted during the recruitment process to ensure that job applicants are willing and able to communicate effectively with customers.
There should be sufficient front-office staff to deal with customer demand. Front-office staff should be knowledgeable, skilled and experienced in the handling of housing and council tax benefits claims.	Inexperienced staff are unable to deal with housing and council tax benefits enquiries. If experienced staff are not available to take calls, they are having to call customers back at a mutually convenient opportunity. The double-handling of these enquiries increases administration costs, damages customer relations and reduces resolution on first contact.	<p>More staff, better training (including cross-training between the front and back offices) and more comfortable surroundings would help the organisation to recruit and retain experienced staff.</p> <p>Care should be taken not to over-skill staff for the work that is required from them.</p> <p>Staffing resources should be redistributed to improve the balance between pre-assessors, assessors and the front line.</p>

Table 15 (continued):

Implicit standard	Consequences of breaching standard	Prevention
Targets should encourage staff to resolve enquiries on first contact.	Staff feel pressured to do things quickly, which generates errors and omissions, resulting in additional customer contacts.	Staff should be encouraged and enabled to take their time with customers, to pay attention to detail and to 'get it right first time'.
Information and communication technologies should be limited to those situations in which they provide clear advantages over other solutions.	Inadequate facilities for the automated production of letters to customers result in confusing communications that generate large numbers of additional and potentially preventable contacts.	Care should be taken to understand what Information and Communication Technologies can achieve, and to review and revise existing working procedures to ensure that present problems are not 'stove piped', before new technologies are implemented.

Research Question 3 provides an opportunity to link up the answers to the two previous Research Questions, i.e. does Lean thinking address the problems identified by the research? The questions about the penetration of Lean thinking in the public sector that were put to the interviewees during Case-study A provoked mostly indirect responses. However, one volunteer did offer the reasonably cogent explanation that "Lean thinking is a systematic approach to eliminating waste via continuous improvement, looking at processes to see if they can be simplified or made more efficient and less costly". Other contributors simply mentioned existing practices or proposed improvements that were consistent with Lean approaches. *Table 16* below matches practices and improvements at Council A with Lean techniques, to illustrate the consonance between them.

Table 16: Council A - examples of Lean thinking in practice

Existing practices or proposed innovations	Examples of corresponding Lean techniques
Pre-assessment of benefit claims to ensure assessors get correct and complete information first time.	Removing waste, improving flow, economies of time, thinking small by avoiding technology in excess of requirements, right first time.
Communicating directly with customers face-to-face or via the telephone, instead of writing to them.	Maximising value to the customer, simplicity, flow by keeping the work moving at the customer rate, economies of time.
Processing claims more quickly by accessing the paperwork instead of waiting for documents to be distributed via the electronic document management system.	Simplicity, managing constraints, economies of time, thinking small instead of over-processing, worker empowerment.
Reducing the reliance upon computer-produced letters that customers do not understand	Simplicity, improvement, maximising value to customer, not automating waste, defect prevention, avoiding unnecessary motions, managing demand variation
Deploying better trained and more experienced staff in the front line to resolve customer enquiries correctly first time.	Worker empowerment and training, waste prevention, skill flexibility, right first time, maximising value to customer, building knowledge in a systematic and scientific way
Creating a rota for routine tasks that makes the work more orderly and up-to-date.	Visual management, clean and tidy, team-working on improvement, worker empowerment, variation prevention, economies of time.
Producing new explanatory leaflets and application forms, improving the wording of reminder letters.	Customer first, waste and variation prevention, reducing complexity, improving product design.
Coaching staff to improve the quality of work.	Knowledge management, worker empowerment and training, continuous improvement, defect prevention.
Producing flow charts.	Mapping to understand processes, business process redesign, fast flexible flow, preventing and removing waste, eliminating unnecessary movement.

Table 16 (continued):

Existing practices or proposed innovations	Examples of corresponding Lean techniques
Holding quality improvement meetings.	Continuous improvement, team-working, consensus building, shared decision-making, trust, creativity, standard work.
Passing customer complaint letters to the people best able to deal with them.	De-layering, skill flexibility, maximising value to customer.
Compiling a procedure book for the concessionary fares service.	Policy deployment, process design, standard work, waste and variation prevention, visibility, defect prevention.
Introducing laminated desk aids	Visual management, clean and tidy, continuous improvement, simplicity, knowledge management, thinking small, defect prevention.
Implementing a corporate contact centre and Customer Relationship Management software system.	Automation, mass customisation, value stream mapping, business process redesign, breakthrough innovation, visual management, demand management, cross-functional working, resolution on first contact, right first time.

The respondents were asked to comment upon the conditions under which Lean thinking could be successfully exploited. Interviewee I asserted that staff were resistant to change and observed that “it’s how we deal with the management of change that is the most important aspect – transparency in the whole process – information as to the reasons why – communication at every stage and with everything on the table”. Interviewee F said that all staff should be involved because “some could be resentful about not being included in the project work”. Suggested approaches included providing feedback after projects were completed and recognising good ideas. Interviewee E said “if you want people to co-operate with change, ask them what they think – involve the staff”.

Customer journey mapping

Using the approach developed during the pilot work described in Chapter 4, all possible permutations of benefits claims and accommodation tenure types were identified. One example of each was then chosen from among the applications completed during May 2007. The claims with the longest resolution times were chosen on the basis that they were most likely to display PAFID. Case histories were then compiled by examining all available records to chart the customers' journeys. The manager was invited to explain the problems that had occurred, the responses were arranged in decreasing order of frequency to highlight the most common incidents, and end-to-end roadmaps were generated to capture all relevant details. The following tabulations reveal the number of days that elapsed on each claim from end-to-end (**Table 17** below) and the explanations offered by management for any associated failures and potentially avoidable customer contacts (**Table 18** below).

Table 17: Council A - benefit claim types and end-to-end processing times

<div> <div>Tenure type</div> <div>Claim type</div> </div>	Owner occupiers	Private tenants	Tenants of Registered Social Landlords	Former council tenants (now tenants of Council A Homes Limited)
Claimants receiving income-based Jobseeker's Allowance ⁵⁹ from the DWP	111 days end-to-end	73 days end-to-end	44 days end-to-end	-
Claimants receiving Guaranteed Pension Credit ⁶⁰ from the DWP	100 days end-to-end	87 days end-to-end	79 days end-to-end	47 days end-to-end
Claimants receiving Income Support ⁶¹ from the DWP	77 days end-to-end	127 days end-to-end	68 days end-to-end	46 days end-to-end
Standard claims ⁶² for housing and council tax benefits	85 days end-to-end	87 days end-to-end	38 days end-to-end	-

⁵⁹ Income-based Jobseeker's Allowance (JSA) is a means-tested benefit administered by the DWP for unemployed working-age customers.

⁶⁰ Guaranteed Pension Credit (GPC) is a means-tested benefit administered by The Pension Service (part of the DWP) for customers aged 60 & over.

⁶¹ Income Support (IS) is a means-tested benefit administered by the DWP for lone parents and working-age disabled customers.

Table 18: Council A - summary of contact causes

Causes of PAFID (i.e. failures that might have been prevented) identified during customer journey mapping	Number of occurrences
Delays attributed to a backlog of work	6
Claims not refused at the earliest opportunity (when customers failed to provide necessary details) because customer service was given a higher priority than government targets	4
Delays attributed to errors committed by the Benefits Service	3
Claims not refused at the earliest opportunity (when customers failed to provide necessary details) because of statutory restrictions	2
Delays attributed to outstanding referrals to the Rent Officer Service that were not progress-chased due to a reduced focus on monitoring activities	1
Delays attributed to the Local Pension Service visiting officer	1

The pilot customer journey mapping exercise described in Chapter 4 revealed circumstances in which council staff might feel compromised by detailed investigations into the nature and causes of failures leading to PAFID. The precautions described in **Table 12** on page 119, which entailed restricting the amount of investigation and not seeking to interview customers, were effective in terms of avoiding controversy, but it is likely that the data would have been enriched by the inclusion of the customer perspective.

⁶² A standard housing and council tax benefit claim is one based on income other than JSA, GPC or IS. Customers must provide evidence of their income and capital, and a means assessment is undertaken to determine housing and council tax benefit entitlement. Administration is therefore more complex and resource-intensive. When calculating housing and council tax benefit entitlement for customers in receipt of JSA, IS or GPC all other income and capital is disregarded. This results in less documentary evidence being required and maximum benefit being awarded, but processing times are dependant on DWP turn-around times.

Summary and critical analysis of case-study A

The document review in Council A portrayed a housing and council tax benefits service that was good and improving. There was little (if anything) in that data to suggest that the service had underlying problems with the quality of the customer experience. Nevertheless, the subsequent non-participant observations revealed high levels of PAFID (68% on the telephones, 46% face-to-face, and 53% overall) and low levels of contact resolution (28% on the telephones, 14% face-to-face, and 19% overall). The proportion of valuable contacts resolved was even lower, at around 2%. The principal causes of these problems (failures that might have been prevented) were associated with the production by claimants of supporting information and evidence that was incomplete or not supplied at the right time. The data garnered from the observations did not explain why the problems with documentation arose or how they might be prevented, and these issues were explored during the subsequent interviews.

A typical housing and council tax benefits application form is a substantial document. The style and content of these forms is similar throughout the UK because minimum standards have been established by the Benefits Fraud Inspectorate, which is now part of the Audit Commission. The potential complexity of the situation is significant. Applicants need to digest several pages of guidance notes and then answer hundreds of detailed questions about their households, finances and housing costs. Additional information regarding the documentation that must be produced to support each claim is set out in the leaflet. These are the requirements that the front-line staff found difficult to explain face-to-face or on the telephone, that back-office staff preferred to explain in writing, that different officers interpreted in different ways, that customers appeared not to understand, and that were so rarely satisfied without significant amounts of repeat contact.

The techniques and tools that emerged from the pilot research were deployed during this case-study. These were: (a) a data collection sheet and criteria for categorising customer contacts; (b) a spreadsheet-based model for capturing and displaying information about customer contacts; (c) an interview schedule and sequential approach to qualitative data analysis; (d) a process for mapping and analysing ‘customer journeys’; and (e) a

schedule of precautions designed to eliminate or reduce potential methodological problems like 'demand characteristics' and observer bias.

One new methodological issue was identified, namely that my initial openness with the data sparked a debate among the staff about the potential consequences of the findings. The categorisation of customer enquiries by contact cause was uncontroversial, but different interest groups (such as managers, supervisors and customer services staff) expressed different opinions about the categorisation of contacts according to value, avoidability and resolution. For example, managers remained optimistic about the scope for reducing avoidable contact, and adhered to their original fairly strict definitions of avoidability. On the other hand, supervisors and staff expressed concern about job security in the event of reducing call volumes, and migrated toward an interpretation of avoidability that placed greater value upon the welfare advice dimension of their work, such as helping claimants to complete forms, make appeals and understand letters and notices.

Front-line staff argued that customers were entitled to as much help as they needed, and that it was entirely reasonable for disadvantaged and vulnerable people to require a lot of support while they negotiated their way through a complex process that even staff had difficulty comprehending. There was an implication that reducing potentially avoidable contact would constitute a reduction in service standards by way of an attempt to prevent customers from contacting the council. I responded by acknowledging these concerns and by pointing out the benefits to customers if more transactions could be resolved correctly at the first time of asking. It was necessary to discuss individual contacts and how they might be categorised to ensure that they were correctly interpreted and coded, but I became more cautious about sharing the emerging analyses (such as the daily proportions of avoidable contact and contact resolution), and held these back until the observation work was complete in order to limit the extent to which this information might bias subsequent data. The learning gained from this experience (about the treatment of emergent data) was carried forward into the remaining case studies.

The semi-structured interviews reaffirmed that, in spite of their self-interested concerns, the staff did perceive the PAFID problem to be real and significant. The respondents offered detailed descriptions and explanations, together with numerous suggestions for avoiding unnecessary contact. It was notable that the concerns about job security that surfaced during the observation work did not reappear during the interviews. Taking frequency of occurrence as an indication of significance, the interview data was analysed in terms of concepts such as: communication (having structured meetings, talking to each other and eliminating the “them and us” mentality that separated front and back-office staff); knowledge (improving revenues and benefits training, introducing cross-training between front and back-office staff, making information available on the intranet and constructing libraries of laminated desk aids); quality (taking the time and trouble to edit outgoing letters and to get things right first time); and resources (having the right people in the right place at the right time).

Some respondents attributed the problems revealed by the research to what they perceived as the unavoidable complexity of the housing and council tax benefits scheme, which is a statutory scheme that applies to councils throughout the UK. Some went so far as to suggest that a degree of repeat customer contact was necessary and did not therefore constitute any kind of failure, echoing the discussion about the meaning of ‘failure’ introduced in Chapter 4.

Other respondents said that aspects of the repeat contact were self-inflicted (by the service) because internal procedures were over-complicated, and some staff adopted inflexible attitudes toward the production (by customers) of supporting information and evidence. Customer services staff felt that they were inadequately trained and under pressure to do things quickly. Computer-produced letters were said to be difficult for customers to understand. It was said that customer enquiries were not dealt with adequately on first contact, and that staff in the front and back offices were “not singing from the same hymn sheet”.

The interview data confirmed a limited role for additional information and communication technology. For example, while new mobile working arrangements had generated some enthusiasm, the computer system’s inability to facilitate good (clear and

concise) standard letters for customers was identified as a major cause of PAFID. This was an ICT problem that had afflicted the service for more than a decade, a finding that is supportive of the argument developed earlier in this thesis about an over-reliance on ICT systems built upon modernist managerial assumptions, and the potential benefits of less technical solutions.

Few respondents could identify service improvement initiatives that were explicitly aligned with Lean principles. However, a number of existing practices and proposed innovations were matched with corresponding Lean techniques to illustrate their consonance.

The end-to-end customer journey roadmaps were developed as a supplementary tool for providing a better understanding of the customer experience, and identifying catalysts of PAFID that impact upon the assessment of real-life claims. The principal cause of PAFID that emerged from this sample of cases (namely operational delays attributable to the council and other agencies) did not surface during the observations and interviews, and demonstrated the value of representing the customer perspective in the research design. This aspect of the substantive case-study research proved to be less controversial than the comparable phase of the pilot study in Council P because of the precautions that were adopted to avoid compromising the staff that may have been responsible for the failures that resulted in PAFID.

The next section of this chapter describes a case-study that was conducted in the housing and council tax benefits section of a London borough, called here Council B. An interesting feature of this particular study was that Council B had experimented with a systems-oriented approach to performance improvement, but was struggling to reconcile the need to manage customer waiting times with the desire to resolve enquiries at the first point of contact.

Case-study B

This case-study involved the investigation of customer contacts handled by housing and council tax benefits services provided by a London borough council. Four phases of research were conducted during the winter of 2007: document review, non-participant observations, semi-structured interviews, and customer journey mapping.

The methods employed to collect, analyse and validate the data captured during this case-study were those developed during the pilot study described in Chapter 4 and then applied and improved (by restricting the distribution of emergent findings) during Case-study A.

Document review

The purpose of this work was to create a ‘biography’ of the housing benefits service provided by Council B, containing contextual information and historical data such as key performance indicators. The analysis involved a survey of online information about the council and its housing and council tax benefits service, covering the period from 1999 to 2007. I obtained data from websites maintained by the council, the Department of Work and Pensions, and the Audit Commission. Council B also provided me with organisational charts, inspection and benchmarking reports, and the findings of a comprehensive service review that was completed in 2006.

The biography revealed that the scale and complexity of the task confronting Council B’s housing and council tax benefits service is daunting. The Borough is one of the most deprived in England and Wales. Nearly half of all households (44% or 41,000 claimants) receive help from the council with their housing costs. The population is ethnically diverse (more than 50% of the residents are non-white), and so are the people that the council employs. In these circumstances, high levels of repeat contact and low levels of resolution on first contact were to be expected. A study conducted in 2004/05 revealed that nearly three-quarters of all benefits calls into Council B’s corporate telephone contact centre were unnecessary and only 4% of enquiries received by local service centres were resolved on first contact.

The record also revealed that during 2004 the council had attempted to improve performance through the adoption of some ‘systems thinking’ operating principles. For example, staff were encouraged to use the most effective and efficient means of communicating with customers. One lasting outcome of this short experiment was some re-integration of back and front-office services, a process that management called “putting the best resources where they will be most effective”. The council anticipated that this would facilitate end-to-end working of claims by expert benefits staff, thereby reducing waste and increasing one-stop resolution. However, the initiative was not sustained due to a lack of funding.

Non-participant observations

During Case-study A, concerns among the staff about job security led to some differences of opinion about the characterisation of customer contacts. For example, managers said that customer contacts generated by the need for help with the completion of claim forms were avoidable (the forms were not clear enough), whereas staff said that the housing benefits scheme was complex and claimants needed their help. To minimise the potential bias in data collection and analysis that might have arisen from a debate of this nature during this second case-study, I withheld the emerging results (especially the proportions of avoidable contact and levels of resolution on first contact) until the work was complete. The issue of job security did not arise during this case-study. This was probably because Council B employed large numbers of agency staff who moved freely between local councils in the area, and because Council B appeared to have no plans to reduce the number of permanent staff.

To collect the observation data, I sat with customer service staff in Council B for two weeks during November and December 2007. I observed and analysed more than 400 customer enquiries distributed across two access channels: a telephone call centre, and a public enquiry counter service. I listened to 283 incoming telephone calls and observed 148 face-to-face visits over ten working days, recording brief details of each customer contact using the data collection sheet and guidance notes developed during the pilot study (see *Annex 5* on pages 273-274). The aim was to gain an understanding of PAFID by investigating the causes of customer contacts, the value of those contacts, and the extent to which they were resolved.

The categorisation of customer enquiries at Council B by contact cause facilitated the production of *Figures 8 and 9* below, which reveal the most frequently occurring causes (most of the causes that occurred only once are excluded to improve the clarity of the presentation).

Figure 8: Council B - telephone calls analysed by cause of contact

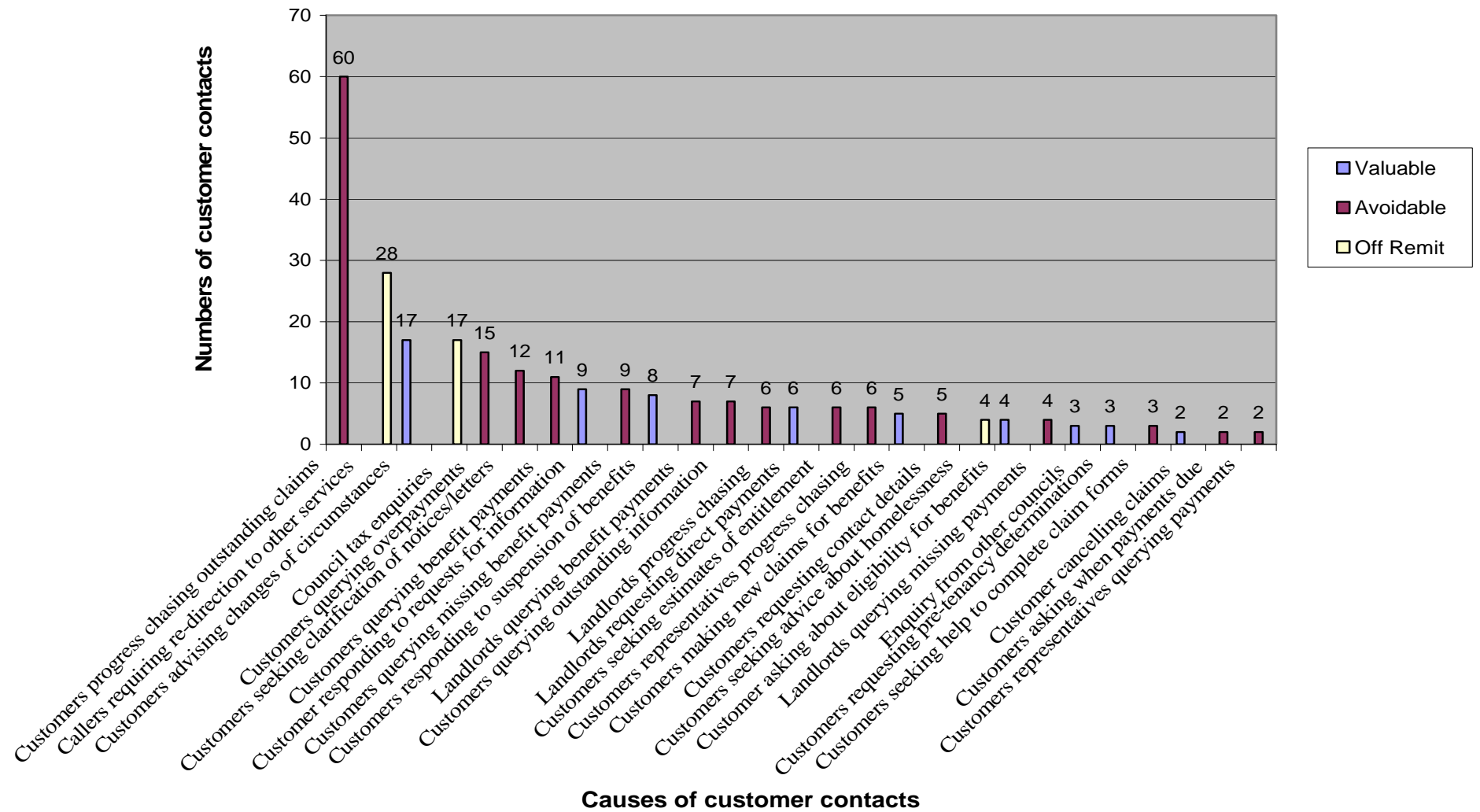


Figure 9: Council B – face to face visits analysed by cause of contact

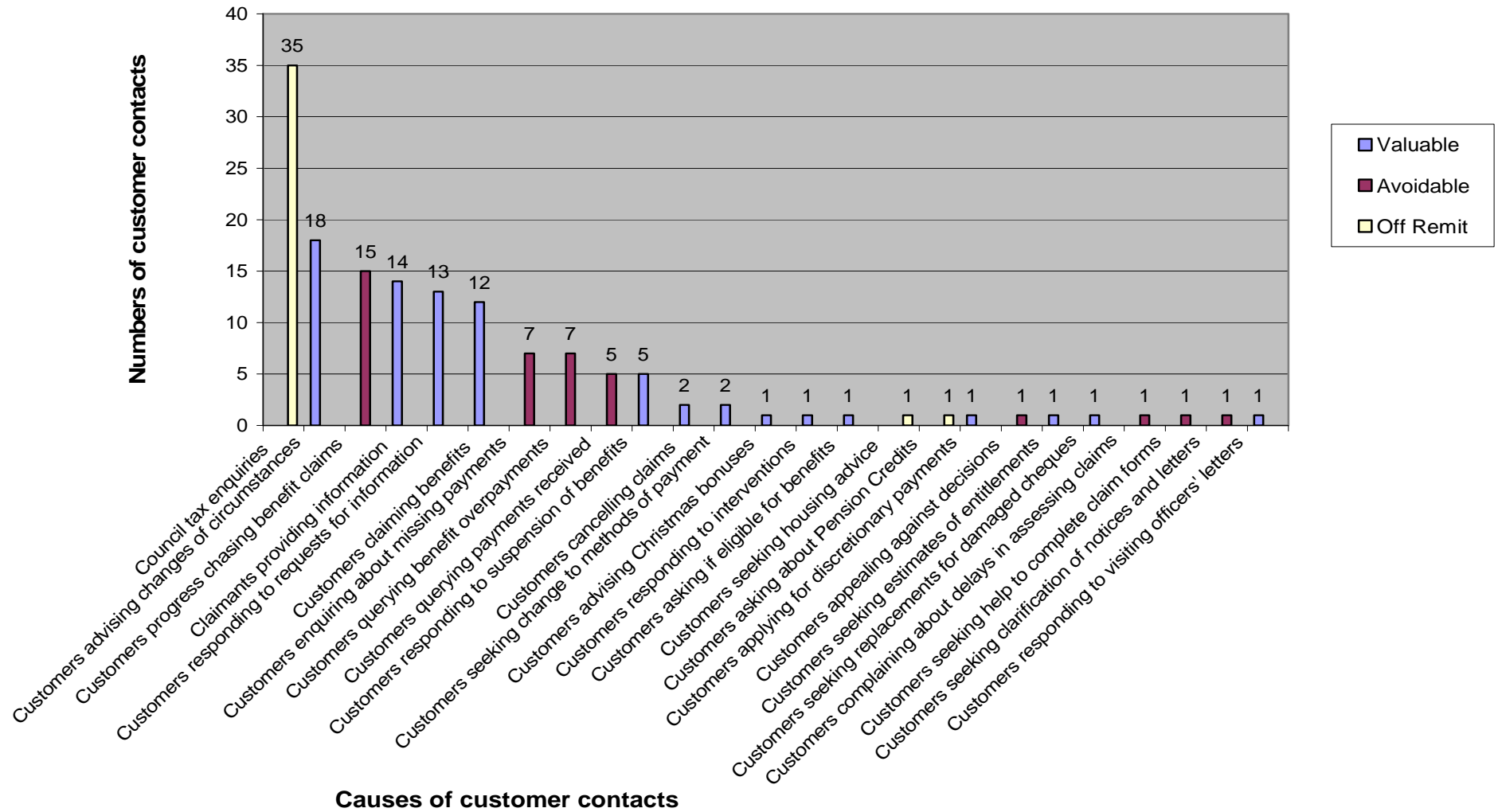


Table 19 reveals that the ten most frequent causes of contact across both access channels accounted for 70% of the enquiries. Six of these top ten causes were categorised by Council B as off remit or potentially avoidable before the study commenced. These included enquiries about the collection and recovery of council tax, which were outside the scope of this research.

Table 19: Council B - ten most frequent causes of customer contacts

Cause	Volume			Percentage of total contacts
	Phone	F2F	Total	
Customers progress chasing claims*	60	15	75	17.5
Council tax enquiries*	17	35	52	12.1
Customers advising changes of circumstances	17	18	35	8.2
Calls requiring redirection*	28	-	28	6.5
Customers querying overpayments*	15	7	22	5.1
Customers responding to requests for information	9	13	22	5.1
Customers making new claims for benefits	5	12	17	4.0
Customers querying payments received*	11	5	16	3.7
Customers querying missing payments*	9	7	16	3.7
Customers producing documents	-	14	14	3.3

*Off-remit and other customer contacts categorised as potentially avoidable.

Categorisation of customer enquiries by contact value

The categorisation of customer enquiries at Council B by contact value revealed the proportion of customer contacts that appeared to be high value, low value, potentially avoidable and off remit (see **Table 20** below). The data was gathered and analysed using a data collection sheet and guidance notes that were designed and agreed with representatives of the council tax and benefits service before the research began.

Periodically, as the monitoring progressed, forms were collected together, reviewed and discussed with a view to achieving consistency of approach. For example, contacts attributed to ‘customers responding to the suspension of benefits’ and ‘customers responding to requests for information’ were originally described as potentially avoidable but were subsequently re-categorised as high value after it was acknowledged that these contacts were desirable in terms of enabling the council to resolve outstanding enquiries. Contacts attributable to council tax collection and switchboard calls were described as off remit because the study focused on housing and council tax benefits services.

Table 20: Council B - telephone and face-to-face enquiries by contact value

Contact Channel	Volumes/Proportions				
	High Value	Low Value	Potentially Avoidable Failures	Off Remit	Total
Telephone	46 (16%)	24 (9%)	136 (48%)	77 (27%)	283
Face-to-face	51 (35%)	7 (5%)	45 (30%)	45 (30%)	148
Total	97 (23%)	31 (7%)	181 (42%)	122 (28%)	431

Overall, more than 40% of the contacts observed were categorised as potentially avoidable (caused by failures that might have been prevented), and only 30% were considered to be of some value, high or low. Not surprisingly, given the emphasis that Council B places upon responding to customer demand, the lowest levels of potentially avoidable contact (30%) and highest proportions of value-work (40%) were to be found in the local service centres that dealt with face-to-face enquiries.

Categorisation of customer enquiries by contact resolution

The categorisation of customer enquiries at Council B by contact resolution suggests that only a small proportion of enquiries were being resolved in the front line (see *Tables 21 and 22* below).

Table 21: Council B - all contacts analysed by resolution

Contact Channel	Volumes (Proportions of all contacts in brackets)					
	One Stop	Repeat Now Resolved	Passed Back	Passed On	Off Remit	Total
Telephone	40 (9%)	3 (1%)	115 (26%)	48 (11%)	77 (18%)	282 (65%)
Face-to-face	15 (3%)	0 (0%)	39 (9%)	50 (12%)	45 (10%)	149 (35%)
Total	55 (12%)	3 (1%)	154 (35%)	98 (23%)	122 (28%)	431 (100%)

Table 22: Council B - value work analysed by resolution

Contact Channel	Volumes (Proportions of value contacts in brackets)				
	One Stop	Repeat Now Resolved	Passed Back	Passed On	Total
Telephone	7 (5%)	1 (1%)	54 (42%)	8 (6%)	70 (54%)
Face-to-face	7 (5%)	0 (0%)	28 (22%)	23 (18%)	58 (45%)
Total	14 (11%)	1 (1%)	82 (64%)	31 (24%)	128 (100%)

The distinctions drawn above between telephone and face-to-face enquiries, and between value and non-value (i.e. potentially preventable) contacts, are important. High levels of contact resolution via the telephone were not expected, as customers could not be put 'on hold' for long periods of time while transactions were processed online. Consequently, agents were required to take ownership of the enquiries they received and various forms of call-back were prevalent. In the local service centres, Council B's policy was to give priority to the resolution of the work that was categorised as valuable to claimants and other key stakeholders. Nevertheless, the overall level of resolution (11%) seemed very low and the proportion of contacts passed on for subsequent resolution in the back office (24% overall and 18% in the local service centres that dealt with face-to-face contacts) seemed high. The evidence suggested that, in Council B, the failure to resolve enquiries on first contact (and subsequent repeat contacts) was causing PAFID.

The data from the observation work helped to reveal what was happening in Council B's contact centre. Semi-structured interviews were then employed to find out why it was happening and how the problem might be managed.

Semi-structured interviews

To enrich the quantitative analysis, eight volunteers from housing and council tax benefits services at Council B were interviewed for an average of 45 minutes each. The contributors included a senior manager, three middle managers, a team leader and three assessment officers. Four of the participants worked in the back office and the others were from local service centres situated throughout the Borough. The aim of the selection was to obtain a vertical and horizontal cross-section of opinion. In the analysis that follows this preamble, the interviewees are simply described as managers and assessment officers to protect their anonymity.

A few days before the interviews were due to take place, the interviewees were provided with a simplified list of the questions that were to be asked so that they could give prior consideration to their answers. The interviews were recorded and respondents were subsequently provided with transcripts of their interviews. At the beginning of each interview, the purpose of the research was explained and the preliminary outcomes

of the observation work conducted during the preceding two weeks were described. A schedule of questions was employed to ensure that similar issues were raised with each respondent, but the interviewees were also encouraged to discuss any aspects of customer contact handling that seemed important to them.

The techniques employed to conduct, record, transcribe, analyse and validate the interview data were those developed during the pilot work described in Chapter 4 and then applied and improved during Case-study A. As before, the output from the interviews consisted of contributions by respondents, which were clustered into preliminary concept areas (see *Annex 7*, pages 277-295) and then reorganised to align implicit standards of customer care with the consequences of breaching those standards to generate a schedule of ways in which the breaches might be prevented (see *Table 23* below). Finally, examples of Lean thinking employed by Council B and identified by the interviewees are detailed in *Table 24* below.

Table 23: Council B - implicit standards and consequences of breaching them

Implicit standard	Consequence of breaching standard	Prevention
Officers should establish direct contact with customers to explain their requirements and deal with enquiries as they arise.	Officers use more expensive and less successful forms of communication such as correspondence. Letters are less likely to be understood by customers and less likely to result in the resolution of outstanding issues. Letters are more likely to prolong the claims process and to generate repeat customer contact.	Telephone or face-to-face contact with customers would be less expensive than correspondence and more effective too, because it is easier for staff to explain complications and requirements verbally than in writing.
There should be enough officers in the front line (i.e. on the telephones and in the local service centres) to enable them to resolve customer enquiries fully and from end-to-end.	Work not completed during contact with the customer is retained for subsequent attention; it then joins an accumulation of other outstanding work and may not get done immediately. Delays generate additional customer contact in the form of progress chasing. If other officers become involved, customers may be given inconsistent information and advice, and may be asked for different information and evidence to support their claims.	Resolution on first contact would reduce unnecessary activity and speed up the payment of benefits. End-to-end working (where the same officer deals with a claim from beginning to end) is more satisfying for staff and more efficient because customers do not have to keep explaining their circumstances to different officers and satisfying their differing requirements.
Letters and notices sent to customers should be necessary, clear, consistent and concise. Officers should pay particular attention to the needs of people whose first language is not English.	Customers often do not understand the content of the council's letters and notices, so they make unnecessary telephone calls and visits to local service centres; they may also suffer hardship because of delays or loss of benefits. If staff do not understand letters and notices sent by their colleagues, they give or seek incorrect information that results in further delays and unnecessary customer contacts. There are costs associated with this wasteful activity, and the reputation of the organisation suffers if the staff appear to be incompetent.	Attention to detail during the production and despatch of letters and notices will ultimately speed up the process and reduce the overall workload by decreasing the number of times that customers need to contact the service. Telephone calls and face-to-face meetings are more effective and less expensive.

Table 23 (continued):

Implicit standard	Consequence of breaching standard	Prevention
Staff should be able to access telephones when they need them, and customers should be able to contact officers by telephone quickly and easily.	If staff cannot get access to telephones they revert to correspondence, which is an expensive and less successful method of communicating with customers. If customers cannot contact officers by telephone they use more expensive access channels such as local service centres. Some customers abandon attempts to seek or provide information, which causes them hardship because of delay or loss of benefit. Lost calls may be detrimental to the council if they relate to benefit fraud prevention or detection.	The council should provide telephone systems that facilitate good communication between customers and staff.
Officers should be trained to similar standards and should employ the same policies and procedures.	Inconsistent standards among officers and inconsistent policies and procedures (or the inconsistent application of policies and procedures) result in poor service and unnecessary activity, as claimants make repeat contacts to establish the correct situation or requirement.	Staff guidance notes and standardised procedures should be generated, communicated and implemented throughout the organisation. Systems should be developed to encourage co-operation, learning and knowledge sharing.
Customers should be kept informed about the progress of their claims and any outstanding requirements.	Unnecessary contacts occur when customers enquire about the progress of their claims, or fail to provide outstanding information or evidence that subsequently delays or affects the amount of their benefit entitlements.	Technology should be exploited to keep customers informed in ways that compliment their life-styles. For examples, e-mails and SMS texting are familiar forms of communication for younger people.

Chapter 3 explored the topic of Lean thinking as innovation in the public sector and identified some reasons why organisations are often unable to recognise and implement innovations; government was said to be poor at innovation because of its conservatism. The literature also revealed some factors that might encourage innovation in the public sector (e.g. supporting civil servants if they take risks) and others that might inhibit it (e.g. annual budget battles that create short-term thinking). Some of the interviewees in Council B had participated in a short service transformation exercise that applied Lean approaches such as waste reduction, failure avoidance and resolution on first contact. The exercise focused attention upon changes such as moving expert staff to the front line and managing processes end-to-end. Consequently, the staff at Council B had some limited experience of the application of Lean thinking in their component of the public sector. In *Table 24* below, recent practices and improvements at Council B are matched with Lean techniques to illustrate the associations between them.

Table 24: Council B - examples of Lean thinking in practice

Existing practices or proposed innovations	Examples of corresponding Lean techniques
Communicating directly with customers face-to-face or via the telephone, instead of writing to them, and reducing the requirements placed upon customers to the necessary minimum.	Maximising value to the customer, flow by keeping the work moving at the customer rate, avoiding over-specification, managing constraints, simplicity, economy of time.
Giving assessment officers responsibility for seeing through to completion all the queries they receive while working in the front line.	Managing the process end-to-end, improving flow instead of 'batch and queue', maximising value to the customer, eliminating unnecessary motions, worker empowerment, thinking small, trust.
Requiring all the assessment officers to work in the front line, dealing with customers on the telephone and in the local service centres, as well as assessing claims in the back office.	Moving experts to the front of the flow, improving flow, defect prevention, right first time, removing waste, managing constraints, avoiding unnecessary motions, skill flexibility.

Table 24 (continued):

Existing practices or proposed innovations	Examples of corresponding Lean techniques
Reducing the reliance upon computer-produced letters that customers do not understand	Simplicity, improvement, maximising value to customer, not automating waste, defect prevention, avoiding unnecessary motions, managing demand variation.
Introducing a training academy, training and coaching staff to improve the quality of work.	Knowledge management, worker empowerment and training, building knowledge in a systematic and scientific way, continuous improvement, defect prevention, waste reduction.
Producing flow charts.	Mapping to understand processes, business process redesign, fast flexible flow, preventing and removing waste, eliminating unnecessary motions.
Implementing a contact centre and installing call handling software system.	Automation, mass customisation, value stream mapping, business process redesign, breakthrough innovation, visual management, demand management, cross-functional working, resolution on first contact, right first time.
Documenting office procedures (such as the requirement to contact customers by telephone instead of writing to them) and obliging assessment officers to adhere to them.	Process design, policy deployment, standard work, waste and variation prevention, visibility, improving quality by getting staff to work ‘in the way that we expect you to work’.

The respondents were asked to comment upon the conditions under which methods like Lean thinking could be successfully introduced and exploited to manage potentially avoidable contact. An assessment officer said that there was always loads of change, staff had no say about it, they [management] had “started telling you stuff” but whether you liked it or not it was happening, you couldn’t really change much. A manager said that people who liked working in the local service centres were being pulled out and top management was returning people to the back office who didn’t like working there. An assessment officer said that staff felt quite detached from management, there were a lot of meetings but not a lot of feedback, staff had become distrustful, change would be more welcome if there were more staff to support end-to-end working, as well as extra telephones and additional training.

Overall, the interviews indicated that staff wanted management to: adopt more traditional and inclusive approaches that secured buy-in at all levels; roll-out changes one team at a time, and give the staff time to adjust; motivate and support the staff; allocate time away from the front line for assessment officers to work on their in-trays; and reduce the pressure on officers who were being asked to do too much. The staff said that managers should keep them informed, be honest and build on best practice.

The fourth and final stage of the case-study research involved the deployment of the technique called customer journey mapping. The aim was to identify the causes of PAFID affecting a sample of recently completed benefit claims.

Customer journey mapping

Sixteen permutations of claim and accommodation tenure types were identified, and one example of each was then chosen by the council from among the claims completed during November 2007. The claims with the longest resolution times were selected on the basis that these were most likely to display the phenomena under investigation (see **Table 25** below). End-to-end roadmaps like that illustrated in **Figure 6** on page 111, were then generated by examining all available records to chart the customer experience, or “customer journey”. Finally, the manager was asked to explain the problems that had occurred. In the event, this work was delegated to the team leader with responsibility for the staff that had originally assessed the sample claims, creating a potential conflict of interest. Subsequently, there were delays in obtaining explanations for the failures highlighted by the research. **Table 26** displays the failures that were identified, in decreasing order of frequency. The most common causes of failure (i.e. internal delays) were consistent with the outcomes from Case-study A, suggesting that the potential conflict of interest experienced in Case-study A had not, after all, obscured the results.

Table 25: Council B – benefit claim types and end-to-end times.

<div> <div>Tenure type</div> <div>→</div> </div> <div> <div>Claim type</div> <div>↓</div> </div>	Owner occupiers	Private tenants	Registered Social Landlords	Council tenants
Claimants receiving Jobseeker's Allowance from the DWP	192 days end-to-end	91 days end-to-end	54 days end-to-end	147 days end-to-end
Claimants receiving Guaranteed Pension Credit from the DWP	132 days end-to-end	20 days end-to-end	72 days end-to-end	41 days end-to-end
Claimants receiving Income Support from the DWP	288 days end-to-end	113 days end-to-end	49 days end-to-end	148 days end-to-end
Standard housing and council tax benefits claims	212 days end-to-end	138 days end-to-end	91 days end-to-end	111 days end-to-end

Table 26: Council B - summary of contact causes

Causes of potentially avoidable failure induced demand identified during customer journey mapping	Number of occurrences
Delays assessing claims	6
Delays requesting information	6
Claims not refused at the earliest opportunity	5
Delays requesting home visits	1
Technical problems with Pericles	1
Excessive reminders and requests for information	1
Unnecessary reminder letters	1
Delays reminding claimants about outstanding information/evidence	1

Summary and critical analysis of case-study B

The service ‘biography’ for Council B served to highlight the extremely challenging socio-economic environment in which the organisation’s housing and council tax benefits service operated. At the beginning of the period under review (1999 to 2007) the service was in difficulty, with substantial backlogs and excessive turn-around times. An examination of performance measures suggested that significant progress had been made in some areas and that improvement continued, in spite of set backs attributable to events such as the unsuccessful outsourcing of assessment work during the period 1999 to 2001, the adoption of a government-sponsored verification framework in 2004/05, and the implementation of new software systems in 2004/05 and 2006/07. A business process improvement initiative based upon systems-oriented operating principles had led to some reintegration of front and back-office services, but the programme had not been sustained. It was notable that the gross total administration cost per weighted live case in Council B was nearly double the Institute of Public Finance benchmarking group’s average in 2006/07 (£122.60, compared to an average of £68.00), suggesting that the performance improvement initiative described above had entailed significant revenue expenditure.

The techniques and tools that emerged from the pilot research were deployed during this case-study. These were: (a) a data collection sheet and criteria for categorising customer contacts; (b) a spreadsheet-based model for capturing and displaying information about customer contacts; (c) an interview schedule and sequential approach to qualitative data analysis; (d) a process for mapping and analysing ‘customer journeys’; and (e) a schedule of precautions designed to eliminate or reduce potential methodological problems such as ‘demand characteristics’ and observer bias.

The data revealed a shared perception (among managers and staff) that a lot of customer contact was potentially avoidable. However, this served to inflate the amount of activity that was classified as non-value work and limited the scope for improving the resolution of the valuable work (because non-value work, such as providing information, is often easier to resolve than valuable work such as assessing benefit claims). Consequently, the observation of more than 400 customer contacts during November and December 2007 revealed substantial amounts of potentially avoidable contact (48% on the

telephones, 30% face-to-face, and 42% overall) and apparently low levels of contact resolution (10% on the telephones, 3% face-to-face, and 13% overall). First contact resolution of the valuable work (activity that the council identified as high priority) was slightly lower, at 6% on the telephones, 5% face-to-face, and 12% overall.

Key informant interviews were again employed to supplement the quantitative data. Some respondents argued that a degree of unnecessary customer contact was inevitable but that much of the potentially avoidable contact was caused by officers ignoring instructions to resolve queries directly by telephoning customers or making appointments to see them in person. Instead, they were sending letters because this quickly and easily removed problematical cases from their in-trays. Officers maintained that they did not have enough time to resolve enquiries 'end-to-end' because they were constantly moving between the back office, telephones and local service centres. Similarly, the workload of the officers in the local service centres had expanded, and this had eroded their ability to focus on contact resolution. Much of the work was now being passed back to officers in the back office and generated yet further customer contact (in the form of progress chasing) before it could be completed. The respondents said that more benefit officers and more accommodation in the front line would increase resolution rates there and reduce the pressure on the back office, while confining staff to the back office would cause them to revert to "knocking out letters". System letters (especially overpayment letters) continued to be seriously problematical and the system templates that were used to generate standard outgoing letters over-specified requirements (i.e. ask for too much information). These problems were compounded by the application of inconsistent standards, with the result that different requirements were placed upon different customers by different benefit assessors, leaving the front-line staff unsure how to respond.

Some of the benefits services staff in Council B were familiar with concepts such as Lean thinking, failure demand and defect prevention. For example, work flow had been changed by moving expert staff into the front line alongside customer services specialists, with the aim of improving resolution on first contact and encouraging end-to-end working. However, the council's failure to sustain its systems-oriented programme had generated some scepticism about the approach, and there was some criticism of the external consultants. This evidence highlights the importance for

councils of having robust procedures for managing ‘experts’ who are selected to provide external support, and of the need to sustain such interventions, or to communicate to staff compelling reasons for their abandonment.

As in Case-study A, the customer journey roadmaps highlighted failures (including delays assessing benefit claims, delays requesting information required to assess claims, and delays in refusing claims) that were not detected during the observation work or key informant interviews. A potential conflict of interest was created by the participation of staff that may have been responsible for the service failures under investigation, but this did not appear to affect the results.

The next section of this chapter describes the third and final case-study, which was conducted in the housing and council tax benefits section of a unitary council, called here Council C. An interesting feature of this case-study site was the particularly good relationship that seemed to exist between the management team and most of the staff.

Case-study C

This case-study involved the investigation of customer contacts handled by housing and council tax benefits services provided by a unitary council in south-east England. Four phases of research were conducted during February 2008: document review, non-participant observations, semi-structured interviews, and customer journey mapping. The methods employed to collect, analyse and validate the data captured during this case-study were those developed during the pilot study described in Chapter 4 and employed during the case-studies at Councils A and B.

Document review

A short 'biography' of the housing and council tax benefits services delivered by Council C was prepared in order to capture contextual information and historical data. As before, the research work included a survey of online information about the council and its housing and council tax benefits services covering the period from 2000 to 2007. I obtained data from websites maintained by the council, the Department of Work and Pensions, and the Audit Commission. The council provided me with organisation charts, inspection reports, benchmarking data, and access to business plans via their Intranet service.

The data describe a city with a very high proportion of young working age residents, a large student population, and an economy supported by tourism. At the time of the research, a £2 billion programme of physical regeneration was being progressed. Nevertheless, the city had areas of high social and economic deprivation. Unemployment was above national and regional rates, while earnings were below the national average. The lowest levels of educational attainment were in areas with high proportions of substandard council housing stock. More than 40,000 adult residents did not have any qualifications and the number of people not in education, employment or training was well above the regional average. Similarly, the number of people experiencing mental health problems, the suicide rate and the number of injecting drug users were among the highest in the country. It was against this complex and challenging background that Council C was providing housing and council tax benefits services to some 49,000 residents at a cost of £150 million a year.

Data compiled and presented by the Department for Work and Pensions reveal that Council C achieved substantial performance improvements between 2001 and 2007 <http://research.dwp.gov.uk/asd/hobod/> . For example, the average time taken to process new benefit claims reduced from about 60 days to 30 days, while the percentage of claims calculated correctly increased from 92% to 98%. However, these levels of improvement were not exceptional in comparative terms, as the benchmarking data showed that councils throughout the sector were advancing at similar rates during this period.

With the assistance of staff, I was able to compile a list of the principal initiatives taken by Council C to modernise, improve and develop its benefits services since 2001. A notable feature of the list was the regular injection of central government funding that supported the council's participation in national pilot projects such as the Local Housing Allowance (LHA) scheme.⁶³ The Department for Work and Pensions also provided resources to sustain a staff training and induction team, a benefits take-up team, and the development of mobile working technologies.

Overall, the documentary evidence portrayed a benefits service that was good and improving towards levels of performance characterised as “top grade” by the DWP. There was little (if anything) to suggest that the service had underlying problems with the quality of the customer experience.

Non-participant observations

During a period of ten working days during February 2008, I listened to 259 incoming telephone calls and observed 229 face-to-face visits received by Council C's housing and council tax benefits services. I recorded brief details of each transaction using the data collection sheet and guidance notes developed during the pilot project (a copy of which appears at *Annex 5* on pages 273-274). The aim was to establish the cause of each contact (e.g. a customer asking about the progress of a claim), the value of each

⁶³ The LHA scheme, which now applies throughout the UK, simplifies the assessment of housing benefit claims and makes tenants responsible for paying their rents by replacing previously sophisticated arrangements for establishing eligible rents with flat rate allowances that reflect the size of the accommodation. The LHA rate is not directly related to the rent that is charged, so the housing benefit may be more or less than the amount payable to the landlord.

contact to the claimant and other key stakeholders (i.e. high value, low value, potentially avoidable, off remit), and the extent to which the contact was resolved (resolved one stop, repeat resolved, passed back, passed on).

Telephone contacts

Key data about telephone contacts were recorded between approximately 9am and 5pm daily. I sat next to agents who were taking calls and listened to both sides of the conversations without intervening. This was tiring work because the call content was repetitive and the ventilation poor. It was possible to ask questions between calls, but the telephone agents seemed less confident about their technical knowledge than comparable staff on the public service enquiry counter. Several people commented upon unusually low call volumes, and it seemed at the time that these remarks were indications of their anxiety about the possible outcomes of the research (i.e. that it might result in job losses).

A rota was produced with the intention of enabling me to sit with different agents each morning and afternoon, but these arrangements broke down from the outset because of unplanned staff absences due to heavy colds. Consequently, I was able to move around freely (after checking with senior staff) and speak to agents directly. Even so, it was not possible to sit with all the agents, due to the constant arrival and departure of part-time staff.

A senior officer explained that staffing was reasonably stable, with some capable people having accumulated several years' experience on the team. This unusual state of affairs was attributable to the fact that the normal procedure for recruiting benefits assessors had been suspended (due to financial constraints), and the telephone staff were temporarily prevented from progressing into more senior posts. Apparently the turn-over of staff in the telephone team was normally higher and consequently their skills were normally less well developed.

Pay appeared to be a controversial issue, as nearly all the agents mentioned the perceived unfairness of their situation. They said that other staff doing comparable work

were better paid, and they expressed dissatisfaction with the training regime, which they said put them at a disadvantage.

The team leader explained that there were seven telephone lines into the contact centre but five were being used, due to reduced call volumes now that backlogs of assessment work had been reduced. Apparently the council advertised dedicated landlord and translation lines, but in practice these were simply diverted to the telephone team. The section aimed to keep telephone waiting times to five minutes but I was aware that industry standard performance would be around 90% of calls to be answered within ten or 20 seconds, so Council C's target seemed generous. During the observation work, waiting times of up to ten minutes were not exceptional, and this timescale appeared to be the trigger point for management intervention.

Agents spoke about calls being transferred to them by the council tax team. I saw several examples of calls being transferred from housing benefits to council tax without introduction; this technique is called 'cold hand-off' and is not normally considered to be good practice. Housing benefits staff claimed to deal with council tax enquiries but I saw no evidence of this happening, and there appeared to be a wide gulf between the two teams, which are part of the same organisational unit.

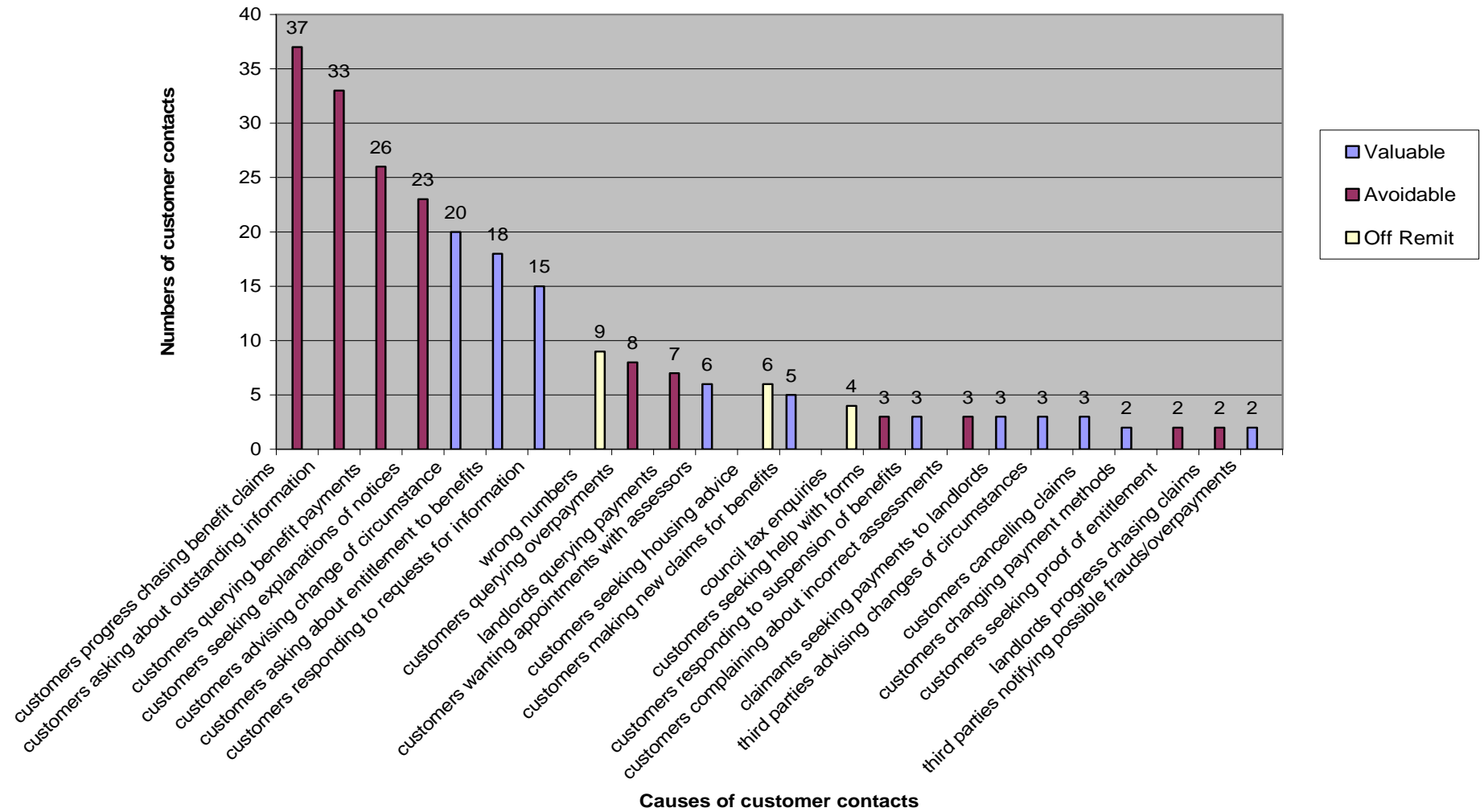
As before (during the previous case-studies), data collection sheets were completed contemporaneously with customer contacts, and the data were transferred at the end of each day from the data collection sheets into spreadsheets. As in Case-study B, I withheld the emerging analyses so that they would not bias subsequent data collection, but the categorisation (or coding) of the telephone calls was still more controversial than the face-to-face contacts. For example, with regard to contact avoidability (perceived failures that might have been prevented), staff said that contacts might be of no value to the council (e.g. requests for the clarification of letters and notices) but of real value to customers. This could be because letters and notices needed to be improved (simplified), but the staff insisted that many customers were vulnerable and would always need help to understand the council's requirements and decisions. Consequently, even the apparently innocuous label 'potentially avoidable contact' caused some controversy because some staff said that the elimination of this activity implied a service reduction. Similarly, contact resolution was viewed from a variety of

perspectives. From the perspective of the public service officers, a request for a housing benefits claim form was resolved by giving the customer a claim form. But from the claimant's perspective, this was arguably just the beginning of a potentially difficult 'customer journey' that could involve numerous contacts with benefits services, and which might or might not result in the award of benefits several weeks or months later. However, when the data analysis was shared with the staff there were no complaints, from which I inferred that they were satisfied with the findings.

Telephone contacts: categorisation by cause

Figure 10 below reveals that 172 (or 66%) of the telephone calls were attributable to seven causes, the top four of which (customers progress chasing, seeking advice, querying payments, seeking explanation of notices) had previously been categorised as potentially avoidable (i.e. failures that might have been prevented).

Figure 10: Council C – telephone calls analysed by cause of contact



Telephone contacts: categorisation by value and resolution

259 contacts were observed. A minority (41%) were categorised as valuable, and nearly one-quarter (22%) were resolved during the contact with the customer; 14% were passed on for the council to take action and 57% were passed back to the customers. Only 20 calls were off remit. If the transactions classed as valuable are taken in isolation, 19% were resolved on first contact, slightly less than the proportion of contacts overall (see **Table 27** below).

Table 27: Council C – telephone calls analysed by value and resolution

	Valuable and Non-Value Contacts Combined		Valuable Contacts Only	
	Number	Proportion	Number	Percentage
Value				
High	88	34%	88	84%
Low	17	7%	17	16%
Potentially Avoidable Failures	134	51%		
Off Remit	20	8%		
Total	259	100%	105	100%
Resolution				
One Stop	54	21%	20	19%
Repeat Resolved	2	1%	0	0%
Passed Back	147	57%	72	69%
Passed On	36	14%	13	12%
Sub-total	239	93%	105	100%
Off Remit	20	7%		
Total	259	100%		

Face-to-face contacts

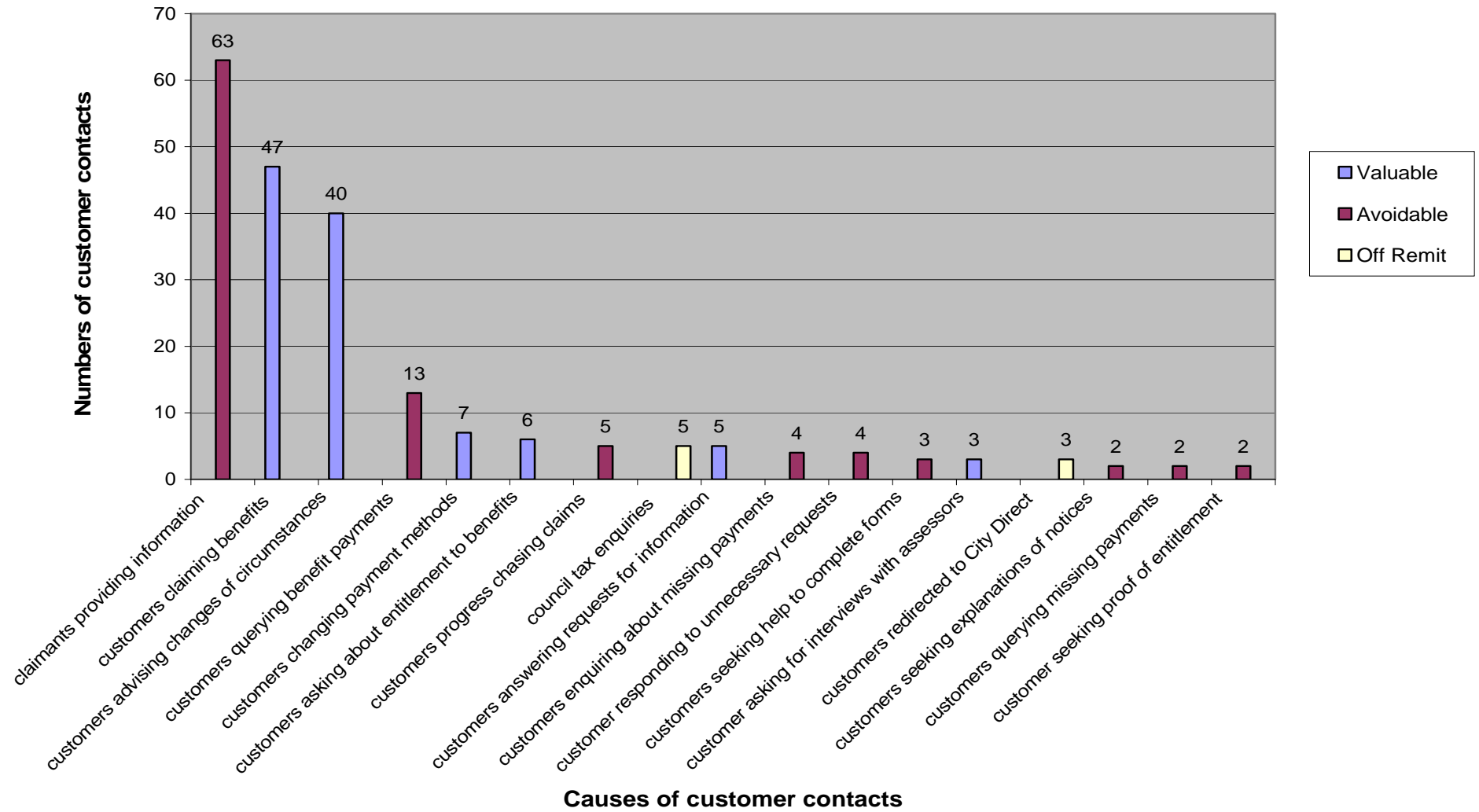
In Council C, Mondays and Thursdays each week were ‘drop-in’ days when customers (principally housing and council tax benefits claimants) could have private interviews with ‘seniors’ (experienced assessors) without appointments. Alternatively, they could go to a reception desk for general advice or to get documents copied. Tuesdays, Wednesdays and Fridays were ‘interview days’ when seniors could be seen by appointment. Council C’s office was closed on Wednesday mornings for training, and this meant that Wednesday afternoons were exceptionally busy. Friday afternoons were hectic too, with customers trying to resolve issues before the weekend. The council also provided a reception service at a satellite office, but this facility was closed at the end of March 2008.

Data were collected by completing data collection sheets contemporaneously with customer contacts. At the end of each day, the data were transferred from the data collection sheets into spreadsheets. The categorisation of contact cause and resolution was uncontroversial. The majority of contacts were passed back to customers for them to take action (such as completing forms or producing supporting documentation), or passed on for the council to take action (such as conducting interviews or assessing claims). As before, deciding contact value took longer because opinions varied about the characterisation of contacts such as the provision of information and evidence that had not been supplied with original claim forms.

Face-to-face contacts: categorisation by contact cause

Figure 11 below reveals that 163 (or 71%) of the contacts observed were attributable to just four causes, two of which (claimants providing information to support claims, and customers querying payments) had previously been categorised by the organisation’s own staff as potentially avoidable, i.e. failures that might have been prevented. As in the previous case-studies, causes arising only once are excluded to enhance the presentation of the data.

Figure 11: Council C – face to face visits analysed by cause of contact



Face-to-face contacts: categorisation by value and resolution

229 face-to-face contacts were observed. Less than half (49%) were categorised as of some value, but few (10%) were resolved during the contact with the customer; 45% were passed on for the council to take further action, and 39% were passed back to the customers for them to take action. Some councils seek to maximise the first time resolution of the valuable work. Of the 113 contacts that were classified as valuable only 5% were resolved, so a higher proportion of non-value than value contacts was resolved (see **Table 28** below).

Table 28: Council C – face to face contacts analysed by value and resolution

	Valuable and Non-Value Contacts Combined		Valuable Contacts Only	
	Number	Proportion	Number	Percentage
Value				
High	100	44%	101	89%
Low	12	5%	12	11%
Potentially Avoidable Failures	107	47%	Not Applicable	Not Applicable
Off Remit	10	4%	Not Applicable	Not Applicable
Total	229	100%	113	100%
Resolution				
One Stop	21	9%	6	5%
Repeat Resolved	3	1%	0	0%
Passed Back	90	39%	59	52%
Passed On	104	45%	48	43%
Sub-total	218	94%	113	100%
Off Remit	11	6%		
Total	229	100%		

Telephone and face-to-face contacts: categorisation by value and resolution

Further analysis reveals that the ten most frequent occurrences accounted for 368 out of 488 contacts (75.4% of all contacts). More than half of these were categorised as potentially avoidable failures (see **Table 29** below).

Table 29: Council C – ten most frequent causes of customer contacts

	Cause of Contact	Potentially Avoidable Failure	Number of Contacts			Percentage of Total Contacts
			Phone	F2F	Total	
1	Claimants providing information and evidence to support claims [following the submission of original application forms]	Yes	-	63	63	12.9
2	Customers advising changes of circumstances	No	20	40	60	12.3
3	Customers claiming housing and council tax benefits	No	5	47	52	10.7
4	Customers progress chasing claims	Yes	37	5	42	8.6
5	Customers querying housing and council tax benefits payments	Yes	26	13	39	8.0
6	Customers seeking advice about outstanding information and evidence	Yes	33	1	34	7.0
7	Customers seeking explanations of council notices and letters	Yes	23	2	25	5.1
8	Customers enquiring about possible entitlement to housing and council tax benefits	No	18	6	24	4.9
9	Customers responding to requests for information and evidence	No	15	5	20	4.1
10	Customers dialing wrong numbers	Yes	9	-	9	1.8

Semi-structured interviews

A total of sixteen volunteers from Council C's housing and council tax benefits service were interviewed for about one hour each. Four of the participants were based in the public service office. There were three representatives from the telephone contact centre, two members of the staff induction team, three senior assessment officers, two managers, an assessment officer and a visiting officer. As in the previous case-studies, the aim of the selection was to obtain a vertical and horizontal cross-section of opinion. In the analysis that follows, the interviewees are simply described as managers, assessment officers and customer service officers, to preserve their anonymity.

A few days before the interviews were scheduled to take place, the interviewees were reminded by e-mail about the administrative arrangements. They were also provided with a list of the questions that were to be asked, so that they could give prior consideration to their answers. Some people did not receive or open these messages and were therefore less well-prepared than others. At the beginning of each interview, the purpose of the research was explained and the preliminary outcomes of the observation work that had been conducted during the preceding two weeks were described. A schedule of questions was employed to ensure that similar issues were raised, but the respondents were encouraged to discuss any aspects of customer contact handling that seemed important to them, and novel points of interest were explored in conversation as they arose.

The interviews were recorded and transcribed. The respondents were then provided with copies of the recordings and transcripts. They were invited to clarify any parts of the conversations that had not been correctly interpreted, and to correct any errors or omissions. Two respondents offered points of clarification that did not affect the transcripts.

The techniques employed during this case-study to record, transcribe, analyse and validate the interview data were developed during the pilot work described in Chapter 4 and applied during Case-studies A and B. As before, the output from the interviews was clustered into preliminary concept areas (see *Annex 7* on pages 277-295) and then reorganised to align implicit standards of customer care with the consequences of breaching those standards, to facilitate the generation of a schedule of ways in which the breaches might be prevented

(see *Table 30* below). Finally, examples of Lean thinking exhibited at Council C and identified by the interviewees are detailed in *Table 31* below.

Table 30: Council C - implicit standards and consequences of breaching them

Implicit standard	Consequence of breaching standard	Prevention
<p>Letters, notices and forms sent to customers should be necessary, clear, consistent and concise. This documentation should be designed to meet the needs of a diverse and disadvantaged population.</p>	<p>Complicated and confusing letters, notices and forms cause customers and staff to make errors and generate unnecessary customer contact. Customers do not understand letters requesting information and evidence, so they do not respond or they respond incorrectly. Claimants fail to identify or report errors in benefit award notices, and receive incorrect payments. Forms are completed incorrectly, and the evidence required to support claims is not provided.</p>	<p>Benefit claim forms should be clear and simple. If the organisation lacks the appropriate skills, organisations such as The Plain English Campaign will provide assistance, support and training at a price.</p> <p>Staff should invest more time in drafting and editing letters and notices so that they explain the council's requirements carefully. The council should ensure that its staff are sufficiently numerate and literate.</p> <p>A step-by-step guide for customers, explaining the process of claiming benefits and helping them to determine where they currently are in the sequence, should reduce unnecessary enquiries and encourage valuable contact.</p>
<p>Officers should establish direct contact with customers to explain their requirements and deal with enquiries as they arise.</p>	<p>Officers use more expensive and less successful forms of communication such as correspondence. Letters are less likely to be understood by customers or to result in resolution of outstanding issues. Letters are more likely to prolong the claims process and generate repeat contact.</p>	<p>Telephone or face-to-face contact with customers would be less expensive than correspondence and more effective too, because it is easier for staff to explain complications and requirements verbally than in writing.</p>

Table 30 (continued):

Implicit standard	Consequence of breaching standard	Prevention
Business processes should be updated regularly to ensure that they fulfill the current needs of the organisation and its customers.	Outdated business processes (such as the deployment of customer services staff to create a buffer between customers and assessment officers when there are serious backlogs of work) create delays, frustrate current policies and demotivate staff. They cause customer enquiries to be passed around inside the organisation instead of being resolved by assessment officers at the first point of contact.	Incremental change is less likely to disrupt the services but, where radical improvements are necessary, they should be implemented when workloads are historically low. Sometimes revised processes can be presented as necessary adjuncts to centrally imposed changes in the legislative scheme, such as the new Local Housing Allowance.
The various services provided by different departments within the council should be joined up so that customer enquiries can be resolved end-to-end.	Customers are inconvenienced by being passed back and forth between different departments. The information and advice provided to customers may be inconsistent, incorrect or incomplete. Unnecessary contact is generated by the need for customers to provide the same information to the council more than once.	Council tax services, housing and council tax benefits services, and housing services normally work in close co-operation with each other. Benefits ease the financial burden that would otherwise be imposed upon vulnerable people, and they make the task of collecting rents council taxes easier. Benefits are funded by central government grants. They bring financial resources into the local economy without impacting upon the level of council tax.
Customers should be given clear advice about the information that they have to provide in support of benefit claims.	Unnecessary customer contact (including repeat calls, repeat visits, complaints and appeals) is generated when customers provide incorrect or incomplete information.	A simple but resonant message would help claimants to understand what documentation is required to support a claim. Similarly, a clear and consistent check-list of the information required to support claims would help staff to ensure the documentation is complete.

Table 30 (continued):

Implicit standard	Consequence of breaching standard	Prevention
Staff should be adequately compensated so that they feel valued. The grading of posts should properly reflect the responsibilities shouldered by the post-holders. Grievances and anomalies should be addressed.	Staff turnover is high. The costs of filling vacancies and training replacements are high. Service standards are sub-optimal because new staff are inexperienced. Disaffected staff may be inflexible, unhelpful and possibly disruptive.	Improved efficiency, through measures such as the elimination or reduction of potentially avoidable customer contact, would release financial resources. The council would need fewer front-line staff because there would be fewer contacts, and the remaining staff would be dealing with a higher proportion of value work. Consequently, it would be possible to improve their remuneration.
Customers should be able to contact officers quickly and easily to provide any information that has been requested.	Unnecessary customer contact is generated and customers use more expensive access channels (such as walk-in services) when they cannot make contact via economical methods such as telephone and e-mail. Customers abandon their attempts to provide information that the council has requested, which results in delays, benefit cancellations, overpayments, complaints and appeals.	The elimination or reduction of potentially avoidable customer contact, combined with the prioritisation of high value contact (such as customers providing information that the council has requested) should improve communication, reduce delays and help to control the costs of administration.
All customer-facing staff should be trained to similar standards. Policies and procedures should be kept up-to-date and implemented consistently throughout the organisation.	Inconsistent standards, policies and procedures result in poor service and unnecessary activity, as claimants make repeat contacts to establish the correct situation or requirement.	Standardised procedures should be generated, communicated and implemented throughout the organisation. Systems should be developed to encourage co-operation, learning and knowledge sharing.

In *Table 31* below recent practices and improvements at Council C are matched with corresponding Lean techniques to illustrate the penetration of Lean thinking.

Table 31: Council C - examples of Lean thinking in practice

Existing practices or proposed innovations	Examples of corresponding Lean techniques
Redesigning, re-equipping and redecorating the public service area to take account of customer feedback.	Customer first, maximising value to the customer, clean and tidy.
Introducing a dedicated copying service for customers who do not want to queue but just want to hand in documents.	Customer first, maximising value to the customer, business process redesign, fast flexible flow, economies of time, managing constraints, managing demand variation.
Obtaining and maintaining Charter Mark accreditation.	Policy deployment, customer first, team-working, continuous improvement.
Implementing a new 'system notification pack' to generate computer-produced letters and notices.	Customer first, improving product design, automation, mass customisation, defect prevention.
Participating in the pilot phase of central government's Local Housing Allowance scheme.	Breakthrough innovation, building knowledge in a systematic and scientific way, team-working on improvement.
Implementing an electronic document management system.	Breakthrough innovation, automation, removing waste, fast flexible flow, economies of time, managing constraints, avoiding unnecessary motions, team-working on improvement, business process redesign, standard work.
Piloting new mobile working technology in the form of tablet PCs and electronic claim forms.	Breakthrough innovation, automation, removing waste, fast flexible flow, economies of time, managing constraints, avoiding unnecessary motions, team-working on improvement, business process redesign, standard work.

Table 31 (continued):

Existing practices or proposed innovations	Examples of corresponding Lean techniques
Implementing a new telephone system and call centre style contact handling arrangements.	Automation, mass customisation, managing constraints, process redesign, improving flow, managing demand variation, skill flexibility, waste prevention, knowledge management.
Encouraging assessment officers to contact customers by telephone instead of sending letters and notices.	Simplicity, thinking small, improving flow, moving at the customer rate, process redesign, eliminating unnecessary motions, preventing defects, removing waste.
Deploying back-office staff in the public service area.	Moving experts to the front of the flow, improving flow, defect prevention, right first time, removing waste, managing constraints, avoiding unnecessary motions, skill flexibility.
Creating an induction training team to provide standardised training for up to fourteen new entrants at a time and to provide ongoing training for established staff.	Knowledge management, worker empowerment and training, building knowledge in a systematic and scientific way, standard work, team-working on improvement, continuous improvement, defect prevention, waste reduction.
Improving service-specific pages on the corporate website to include downloadable forms, a benefit calculator and feedback facilities.	Mass customisation, automation, managing demand variation, avoiding unnecessary motions.
Investing in staff selection, recruitment, training and development to help staff feel part of an improving culture where people think intelligently about the things that they do.	Policy deployment, worker empowerment and training, skill flexibility, continuous improvement.
Enabling team leaders to hold assessment strategy meetings to identify and pilot new and better ways of doing things.	Worker empowerment and training, building knowledge in a systematic and scientific way, knowledge management, team-working on improvement, continuous improvement, consensus building, trust, creativity.
Relaxing the requirements placed upon customers to provide information and evidence in support of claims by accepting some details over the telephone.	Simplicity, avoiding unnecessary motions, improving flow, moving at the customer rate, economies of time, removing over-specification, customer first.

The interviewees were asked about the conditions under which change initiatives such as Lean thinking could be successfully exploited. The participants here had strong views on this subject, but they were often indirect and focused on the relationships between the workforce and their management team:

- The service had a very solid workforce that accepted changes very well. There was a good combination of new and long-serving staff who were keen to be doing things right and would welcome changes that enabled them to get on with their work. Staff were not set in their ways, but it was important that the council was not seen to be throwing money at problems by, for example, employing consultants. There were staff who could still remember local government reorganisation and who had been through several backlog situations. They remembered getting through these and had developed some resilience in the face of change.
- It was a good, friendly office to work in. The relationship between management and staff was very good. Management was not overbearing; they were considered to be flexible, approachable, and trusted the staff as adults. The management team was quite positive and willing to listen. It operated an open door policy and normally consulted before implementation. Management tried to be honest and open. There was “a good change culture and such good change managers” with a lot of people who were used to change and used to success.
- Management would need to explain the reasons for changes, consult staff to get a range of ideas, and seek volunteers to get involved. The majority of people would be very receptive, and the organisation was geared up to provide the necessary training and support.
- Staff liked to feel involved, so that it was not just a management initiative, especially if the staff were going to be doing the bulk of the work. New initiatives should be tried and tested, and then staff would be accepting.
- Communication was said to be the main deciding factor. For example, the public service team responded positively to this research (into PAFID) because of the way it was communicated to them, whilst initially the telephone team responded badly. The difference in attitudes was attributed to the quality of the communication effort.

Customer journey mapping

As with Case-studies A and B above, all possible permutations of claim and accommodation tenure type were identified. The claim in each category with the longest end-to-end time was selected from among the claims received between October 2007 and February 2008 (see *Table 32* below).

Table 32: Council C – claim types and end-to-end times

<div> <div>Tenure type</div> <div>→</div> </div> <div> <div>↓</div> <div>Claim type</div> </div>	Owner occupiers	Private tenants	Registered Social Landlords	Local authority tenants
Claimants in receipt of Jobseeker's Allowance from the Department for Work and Pensions (DWP)	111 days end-to-end	73 days end-to-end	44 days end-to-end	-
Claimants in receipt of Guaranteed Pension Credit from the DWP	100 days end-to-end	87 days end-to-end	79 days end-to-end	47 days end-to-end
Claimants in receipt of Income Support from the DWP	77 days end-to-end	127 days end-to-end	68 days end-to-end	46 days end-to-end
Standard claims for housing and council tax benefits	85 days end-to-end	87 days end-to-end	38 days end-to-end	-

Next, thirty roadmaps were generated by examining all available records to chart the customer experience end-to-end during each claim. Finally, the service manager was challenged to explain the problems that had occurred, and categories of responses were arranged in decreasing order of frequency to highlight the most common incidents (see *Table 33* below).

Table 33: Council C – summary of contact causes

Causes of PAFID (i.e. failures that might have been prevented) identified during customer journey mapping	Number of occurrences
Delays assessing claims	8
Delays requesting further information	5
Delays despatching notification letters	3
Requests for unnecessary information	2
Delays conducting visits	1
Delays creating council tax accounts	1
Delays suspending claims	1
Delays receiving documents from outstations	1

The same phenomenon arose here as was observed during the customer journey mapping phases of Case-studies A and B. The exercise highlighted categories of failure such as internal delays assessing benefit claims and unnecessary requests for information from claimants, not identified during the preceding stages of the research.

Summary and critical analysis of case-study C

The document review in Council C revealed housing and council tax benefits services that were good and improving, in an increasingly crowded city with affluent and deprived communities juxtaposed. There was nothing in the biography to suggest that the services had underlying problems with the current quality of the customer experience, but the observation work revealed high levels of potentially avoidable contact (47% on the telephones, 52% face-to-face, and 49% overall), and low levels of resolution on first contact (22% on the telephones, 10% face-to-face, and 16% overall). The proportion of valuable contacts resolved was lower, at 19% on the telephones, 5% face-to-face, and 12% overall.

The data suggest that the principal cause of the potentially avoidable contact and the low rate of resolution was the production by claimants of information and evidence (such as pay slips, bank statements and tenancy agreements) that was incomplete or not supplied at the right time (i.e. with original claim forms or notifications of change of circumstances). Other frequent causes of unnecessary contact included customers who were chasing outstanding claims, querying payments due or received, seeking advice about information and evidence they needed to produce, and asking for explanations of notices and letters sent to them by the council.

Key informant interviews were conducted to supplement the document review and observation work. A range of people were involved in the interviews, including senior and middle managers as well as supervisors, benefit assessors, trainers and customer services staff. There was such immense interest in participating in the interviews that I had to increase the time allocated to this work, but was still unable to accommodate everybody. There appeared to be less overt concern about the impact of the interview data (in terms of job losses) than there was about the observations. Perhaps this was because the participants felt that they had much to contribute on the issue of potentially avoidable contact, and their own strongly-held views about the 'hidden' value of their work.

A total of 16 semi-structured interviews generated a list of 25 possible explanations, and 23 suggested solutions, for potentially avoidable customer contact. The harshest criticism was reserved for the council's computer-produced notices and letters. Most of the

respondents were complimentary about the management team and identified a range of actions that management could take to maximise the chances of a successful improvement programme.

Most of the respondents agreed that there was a high volume of potentially avoidable customer contact (a manager said that the research had highlighted some 50% of contacts that were worthy of further scrutiny) but some were not convinced that the low level of contact resolution was problematical. Six respondents said that drop-in days were likely to produce better resolution rates than other days and were under-represented in the sample. Among these participants, the consensus of opinion was that scheduled interviews were often resolved, but drop-ins were rarely resolved. Three respondents (including a manager) pointed out that the findings were unsurprising because front-line staff were only expected to offer general advice and would normally seek help to achieve contact resolution.

Three respondents highlighted the vulnerability of claimants and did not think that their need for extra help was unreasonable. A customer services officer said that some contacts (such as claimants reporting that they could not obtain required proofs) were not resolvable one-stop. An assessment officer argued that the fulfillment of simple service requests (such as the provision of claim forms) constituted one-stop resolution and should not be classified as the unresolved commencement of a potentially long ‘customer journey’. Another assessment officer pointed out that much of the customer contact was attributable to the complexity of the statutory scheme.

Several respondents maintained that potentially avoidable contact and contact resolution did matter, especially if it revealed inconsistencies in procedures and advice that caused problems for claimants. For example, walk-in customers had to queue behind people who were only there because of queries that the council itself had generated. One assessment officer answered the question ‘what’s in it for me?’ by asserting “if you can reduce the contact, that reduces the work”. However, others said that contact was valuable to the staff if it was valuable to customers, and activities such as sign-posting and reassuring vulnerable people were all part of providing a “rounded service”. A senior assessment officer said that the telephone service must be necessary or it would not be so busy. A manager said that benefits administration was complex and high levels of one-stop resolution were not achievable but the technique (seeking to reduce potentially avoidable

contact and improve contact resolution) might help to improve the administration of other services such as council tax and business rates.

Once again, the customer journey roadmaps were useful in terms of capturing aspects of the benefit claim process and revealing that internal delays contributed to PAFID. However, the amount of time and effort involved in extracting, tabulating, mapping and analysing the data in this way was considerable. In spite of the precautions introduced following the pilot study (to protect participants in the research), some staff seemed reluctant to provide necessary details.

The council had acquired some information about Lean thinking from other councils and was trying to deploy some Lean techniques but without any external assistance or support. Similarly, Council C had adopted some management approaches that corresponded with Lean thinking (such as automation in the form of an electronic document management system, and mass customisation in the form of contact centre oriented call-handling arrangements) but I saw no evidence of a coherent plan to embrace the methodology.

Chapter summary

In this chapter, I have described the collection of data (about customer contacts and the penetration of Lean thinking into the UK public sector) during three case-studies of housing and council tax benefits services provided by local councils in south-east England. A district council, a unitary council and a London borough council were selected in order to provide a cross-section of the local democratic and socio-economic environments available in the region. The sample was limited to councils that routed customer enquiries through contact centres, as this facilitated the monitoring of high call volumes in circumstances that were arguably representative of the organisations' overall service delivery capabilities.

Each of the case-studies was divided into four distinct phases of research: document review, non-participant observations, semi-structured interviews, and customer journey mapping. The pilot study that preceded the case-studies was undertaken to develop, test and improve this research design so that it was demonstrably rigorous and systematic. The techniques and tools that emerged from the pilot research were deployed during the case-studies. These were: (a) a data collection sheet and criteria for categorising customer contacts; (b) a spreadsheet-based model for capturing and displaying information about customer contacts; (c) an interview schedule and sequential approach to qualitative data analysis; (d) a process for mapping and analysing 'customer journeys'; and (e) a schedule of precautions designed to eliminate or reduce potential methodological problems such as 'demand characteristics' and observer bias.

The first phase of each case-study (i.e. the document review) was necessary for collecting historical and contextual data about each council, but gave only limited insight into the phenomena under investigation. Interestingly, there was no obvious correlation between historical service standards, measured in terms of the performance indicators specified by central government, and the levels of service failure witnessed during the observation work. This observation resonates with comments that appear earlier in this thesis (Chapter 1) about the inappropriateness of prescriptive top-down approaches that result in conformance to centrally imposed targets, instead of performance to desired standards.

The case-studies generated evidence consistent with the assertion that housing and council tax benefits services suffer from high levels of failure leading to large volumes of

potentially avoidable customer contact. More than 1250 customer enquiries about housing and council tax benefits were observed and analysed during the second phase of the case-studies. I sat with customer services staff and recorded data about contact cause, value and resolution. The research concentrated upon telephone and face-to-face contacts because most of the correspondence received by the case-study Councils was delivered in person by customers who chose to provide no other details. The volumes of electronic communication were minimal. It was notable that:

- A high proportion of the customer contacts were attributable to a small number of causes, some of which were common to all three case-study sites (e.g. customers providing documents in support of outstanding claims)
- Nearly half of the observed contacts (48%) were categorised as potentially avoidable (i.e. failures that might have been prevented), and 16% were considered to have been resolved
- While the proportions of potentially avoidable contact and resolved contact varied from site to site, there was a pattern or consistency about the data, which will receive further attention in the next chapter (see *Table 34* below)

Table 34: High-level summary of quantitative analyses across all case-studies and access channels.

	Council A	Council B	Council C	Total
Potentially avoidable contact	53%	42%	49%	48%
All work resolved	19%	13%	16%	16%
Value work resolved	1%	12%	12%	9%

During the third phase of the case-studies, a total of 34 housing and council tax benefits officers (ranging from senior executives, through middle-managers and team leaders to junior customer services agents) who had volunteered to participate were interviewed for about one hour each, using a common set of questions and common procedures for recording, transcribing, analysing and validating the data. The semi-structured interviewing technique was well-suited to the situation, as the volunteers seemed most comfortable and forthcoming when allowed to address the topic at their own pace and in a sequence of their own choosing.

The output from the interviews included a multiplicity of explanations for potentially avoidable contact and apparently low levels of contact resolution, which were structured (by a process of sequential analysis) around a number of common concepts selected for the frequency with which they arose during the interviews. These early categories included communication, contact value, business processes, quality, contact resolution, attitudes, knowledge, resources, targets, information technology, and complexity. Further analysis aligned implicit standards of customer care⁶⁴ with the consequences of breaching those standards and ways in which failures might be prevented.

The interviews also revealed examples of administrative practices consistent with Lean thinking. Two of the three case-study councils had experimented with Lean techniques but neither had made a coherent or sustained effort to adopt the full methodology, as a consequence of which the impact had been modest. Suggestions offered by interviewees pointed to the circumstances in which the management of a transition from the current NPM method to a new approach such as Lean thinking would be most likely to succeed.

A substantial amount of time and effort was invested in the customer journey mapping exercises. The pilot work described in Chapter 4 highlighted the difficulty of obtaining candid explanations of internal failures for which the respondents may have been responsible. Nevertheless, the mapping work did reveal a common cause of failure and potentially avoidable contact across all three councils, namely delays that were internal to the departments that administered the housing and council tax benefits services.

⁶⁴ For example, that logging letters, notices and forms sent to customers should be clear, consistent and concise (see **Table 15** on page 128).

The processes that were developed during the pilot work and employed during the case-studies to guard against methodological problems were successful. For example, the data collection sheets were shared with staff and research assistants at each site. They were consulted about the categorisation of customer contacts as the observation work progressed. Consequently, they did not seem inhibited by concerns about the monitoring of individual performance. Similarly, staff at all levels were generous with their time during the interviews, and nobody failed to attend. Indeed, the interview timetable at Council C was heavily over-subscribed.

The revised schedule of interview questions was more effective than the pilot version in terms of eliciting information about potentially avoidable contact, contact resolution and the penetration of Lean thinking. While no new methodological problems emerged, some of the issues encountered during the pilot study reappeared during the substantive case-studies. For example, the debate about the meanings of concepts such as contact cause, value, avoidability and resolution emerged spontaneously following completion of the observation work at Councils A and C. The interactive approach to problem resolution described in Chapters 3 and 4 was successfully employed to reach agreement, thus overcoming the problem encountered by Jowett and Rothwell (1988), reported in Chapter 3, regarding the difficulty of measuring performance because of its interest-related nature.

The staff at Council C expressed concern about job losses, following recent announcements about budget cuts, and this translated into a difference of opinion between management and staff. Management said that a lot of customer contact was potentially avoidable, but staff maintained that the support they gave to vulnerable customers was valuable and all part of a “rounded service”. The staff were also reluctant to accept that contact resolution had to be viewed in the context of the end-to-end customer journey, as this meant that very few enquiries received in the public service area resulted in contact resolution. The staff at Council A commented upon the unavoidable complexity of the housing and council tax benefits scheme, and argued that too much contact was better than too little.

In Chapter 6, the data and preliminary ideas generated during the case-studies described above will be compared and contrasted. This cross-comparison is intended to further illuminate the problem under investigation and, by revealing similarities and differences,

begin to establish the generalisability of the findings for the study of public service delivery performance.

CHAPTER 6: COMPARATIVE ANALYSIS

Introduction

As previously stated, the principal purpose of this research is to investigate, understand and explain why *potentially avoidable failure induced demand (PAFID)* occurs in UK public sector services, and how it might be prevented. The background, theoretical insights and practical approaches described in Chapters 2 and 3 generated a number of possible explanations, but also highlighted the need for empirical understanding of current problems in the NPM context and the potential for improvement offered by Lean thinking. Chapter 4 described the development and testing of a research design, while Chapter 5 described the collection and preliminary analysis of data captured during three case-studies conducted in the housing and council tax benefits services of local councils in south-east England. The four-phase research design of this dissertation consisted of document reviews, non-participant observations, semi-structured interviews, and customer journey mapping.

The output from the substantive case-studies consisted of data describing more than 1250 customer enquiries or contacts, 34 staff interviews and 44 end-to-end customer journeys. The most significant findings were: (1) that nearly half of the observed customer contacts were attributed to some kind of failure and therefore potentially avoidable; (2) that less than one in six of all contacts were resolved; and (3) less than one in ten of the contacts that were categorised as valuable were resolved. The findings also included examples of Lean thinking as practised by the case-study councils, while suggestions offered by interviewees pointed to the circumstances in which the management of the transition from the current NPM method to a new approach such as Lean thinking is most likely to succeed.

In this chapter, I will compare and contrast the findings from the case-studies described in Chapter 5, to further illuminate the problem of PAFID, and to reveal similarities and differences that may determine the extent to which generalisability can be inferred from the conclusions.

Case-study comparisons

Case-study councils

The ‘service biographies’ developed during the document review stage of the research described in Chapter 5 reveal differences between the case-study councils, but I maintain that these differences are outweighed by the similarities between the departments of the councils that deliver the services under scrutiny. For example, the administrative districts are different in terms of characteristics such as size⁶⁵ and location, population, diversity, and measures of deprivation. The councils themselves (the organisational entities) differ in characteristics such as number of employees, range of services, corporate structures, political control, capital assets, and revenue resources. However, each of the services that were studied assess and pay the same welfare benefits (housing and council tax benefits), which they administer in-house.⁶⁶

Significantly, the benefits services provided by the councils are mandated by the same legislation, namely the Social Security Administration Act 1992, the Social Security Contributions and Benefits Act 1992, the Housing Benefits Regulations 2006 and the Council Tax Benefits Regulations 2006. The services are subject to the same comprehensive audit regime (delineated in the Audit Commission Act 1998), and funded in the same way by the Department for Work and Pensions (DWP) as mandated by the Income-related Benefits (Subsidy to Authorities) Order 1998.

The administrative processes, procedures and technologies employed by the services to discharge their responsibilities are very similar. For example, it transpired that all three case-study councils deploy the same specialist computer systems to assess and pay benefits, manage documentation electronically, and distribute incoming telephone calls automatically. They all direct customer enquiries into corporate contact centres where customer services staff provide assistance and advice. In each case, the technical work involved in assessing and paying benefits is undertaken by back-office specialists, who are

⁶⁵ There is no evidence that the size of councils or the populations they serve affect the quality of the housing and council tax benefits services they provide. For example, the three councils with the largest benefits caseloads in the UK (Birmingham, Glasgow and Leeds) processed new claims more quickly than the average for all UK councils in the quarter ended 31st March 2008 (DWP Resource Centre available online at <http://research.dwp.gov.uk/asd/hobod/> accessed 30/08/09).

⁶⁶ Council B outsourced aspects of its services to private sector providers but brought them back in-house when problems were encountered.

usually members of the same professional organisation (the Institute of Revenues Rating and Valuation), which promotes professional and personal development and best practice among more than 5000 members nationwide. Similar organisational arrangements exist in different councils for distinguishing between back-office assessment officers, who calculate and pay benefits in accordance with the Regulations, and other specialists, who provide client-side services such as policy advice, appeals resolution, overpayment recovery, and fraud prevention.

The tensions inherent in the organisational arrangements described above were evident in each of the case-study sites. For example, customer-facing staff commonly perceived themselves to be under pressure to enforce unnecessarily high standards⁶⁷ of information and evidence imposed on claimants by assessment officers, while being required to maintain customer satisfaction targets and keep waiting times to a minimum. On the other hand, assessment officers were perceived as requiring the information and evidence collected by front-line staff to be ‘right first time’ in every detail, and as willing to delay benefit payments while they obtained additional details even if this caused customers to suffer hardship.

⁶⁷ Unnecessarily high in the sense that assessment officers were perceived to be unduly diligent, causing one customer services officer to protest that “we shouldn’t be making them [benefits claimants] jump through hoops”.

Non-participant observations

Overall, 1252 customer contacts were observed across three case-studies during the research; these consisted of 601 face-to-face visits, and 651 telephone calls. **Figure 12** below presents the contact volumes pictorially, while **Table 35** below summarises the data across all three case-studies and both access channels.

Figure 12: Volume of customer contacts observed during case-studies

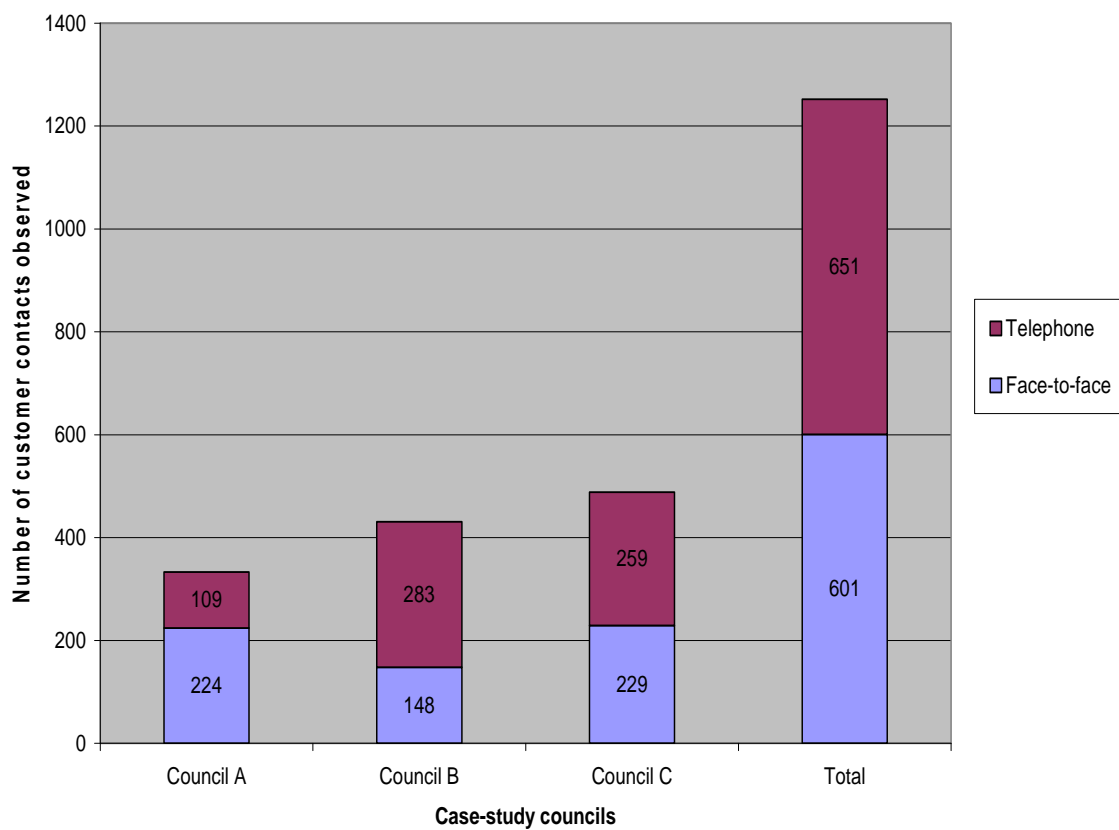


Table 35: Observations across case-studies and access channels

Access Channel	Customer Contacts	Council A		Council B		Council C		Totals for case-studies	
		Number	Proportion	Number	Proportion	Number	Proportion	Number	Proportion
Face-to-face	Number of contacts	224	-	148	-	229	-	601	-
	Potentially avoidable	104	46%	45	30%	107	47%	256	43%
	All contacts resolved	32	14%	15	10%	24	10%	71	12%
	Value contacts resolved	3	1%*	7	12%*	6	5%*	16	5%*
Telephone	Number of contacts	109	-	283	-	259	-	651	-
	Potentially avoidable	74	68%	136	48%	134	52%	344	53%
	All contacts resolved	31	28%	43	15%	56	22%	130	20%
	Value contacts resolved	0	0%*	8	11%*	20	19%*	28	16%*
Totals	Number of contacts	333	-	431	-	488	-	1252	-
	Potentially avoidable	178	53%	181	42%	241	49%	600	48%
	All contacts resolved	63	19%	58	13%	80	16%	201	16%
	Value contacts resolved	3	1%*	15	12%*	26	12%*	44	9%*

* Value contacts resolved as a proportion of the valuable contacts only

Potentially avoidable contacts

Overall, 600 of the 1252 observed customer contacts (i.e. 48%) were classified as *potentially avoidable failure induced demand (PAFID)*, ranging from 42% in Council B, through 49% in Council C, to 53% in Council A. In the face-to-face environment, the PAFID ranged from 30% in Council B, through 46% in Council A, to 47% in Council C. On the telephones, it ranged from 48% in Council B, through 52% in Council C, to 68% in Council A (see **Figures 13 and 14** below).

The data reveal consistently high levels of PAFID across the three case-study sites and two access channels (telephone and face-to-face) with only two ‘outliers’ apparent: the proportion of PAFID shown in Council A’s telephone contact centre (which is relatively high at 68%), and the PAFID in Council B’s face-to-face service (which is relatively low at 30%). The levels of PAFID observed in Councils A and C, at 53% and 49% respectively, were slightly above the average of 48%, while the level of PAFID in Council B was below average at 42%.

Figure 13: Summary of PAFID across case-study councils

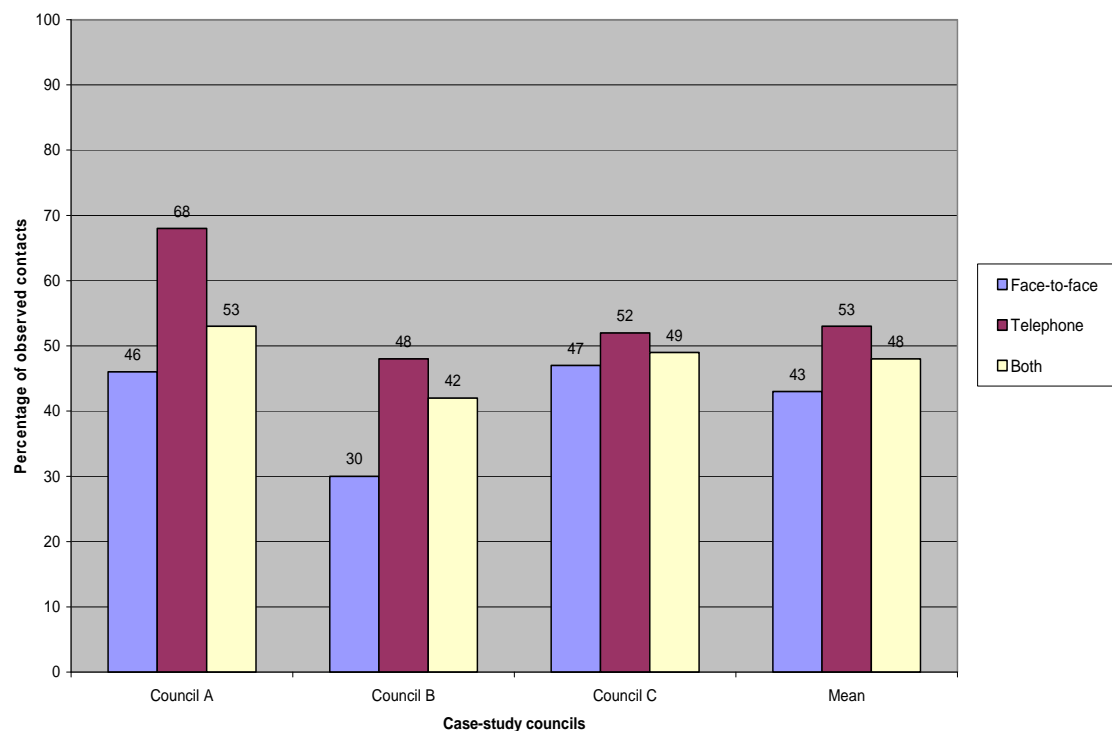
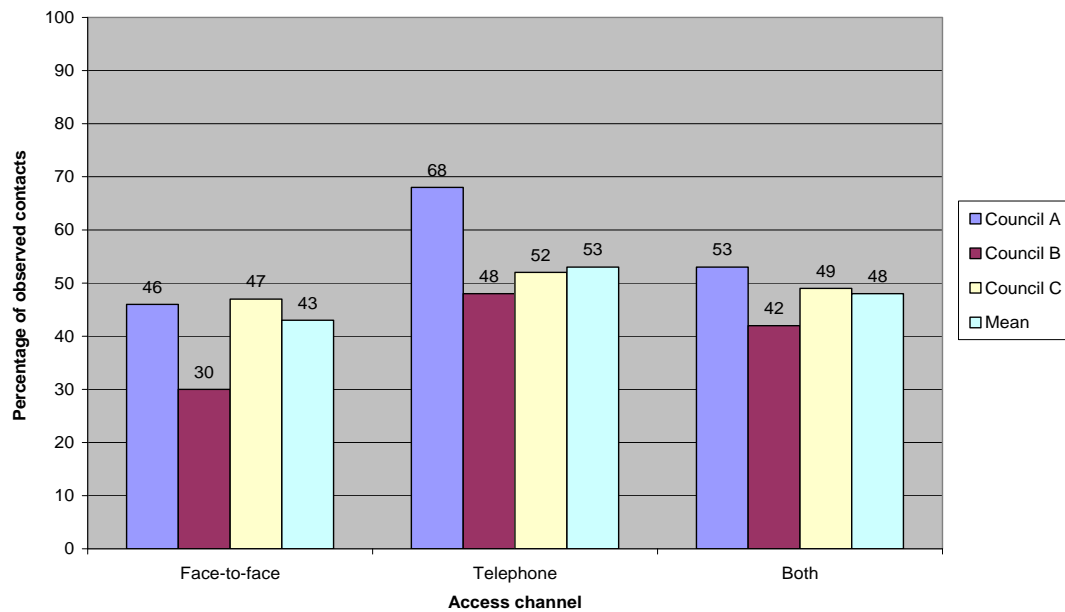


Figure 14: Summary of PAFID across access channels

Contact resolution

A relatively small proportion (201 out of 1252, or 16%) of the total contacts observed was classified as resolved. The level of resolution ranged from 13% in Council B, through 16% in Council C, to 19% in Council A. Thus Council A was above the average of 16%, Council B was below average, and Council C performed at the average. Looking at the next level of analysis down, which distinguished between the telephone and face-to-face customer access channels, the highest level of resolution was 28% of the calls received by Council A's telephone contact centre. The lowest level of resolution was 10% of the face-to-face enquiries received by both Councils B and C (see *Figures 15 and 16* below).

Paradoxically, an even lower proportion of the observed valuable⁶⁸ contacts were resolved, ranging from 1% in Council A to 12% in both Councils B and C, compared to the mean of 9%. There was even greater variation between the access channels, the highest proportion of valuable contacts being resolved in Council C's telephone contact

⁶⁸ The meaning of the concepts "value" and "non-value" were explored in Chapter 2, pages 29-32, where it was established that most commentators equated value with what matters to the end customer. During the pilot study described in Chapter 4, it transpired that a more sophisticated analysis was necessary that accommodated the policy objectives of the service providers and the needs of other key stakeholders. This potential ambiguity was overcome by including in the data collection sheets examples of value contacts agreed with key stakeholders in each case-study council before data collection began.

centre (19%), and the lowest in Council A's contact centre (0%), compared to the contact centre mean of 16% (see *Figures 17 and 18* below).

Figure 15: Summary of contacts resolved across case-study councils

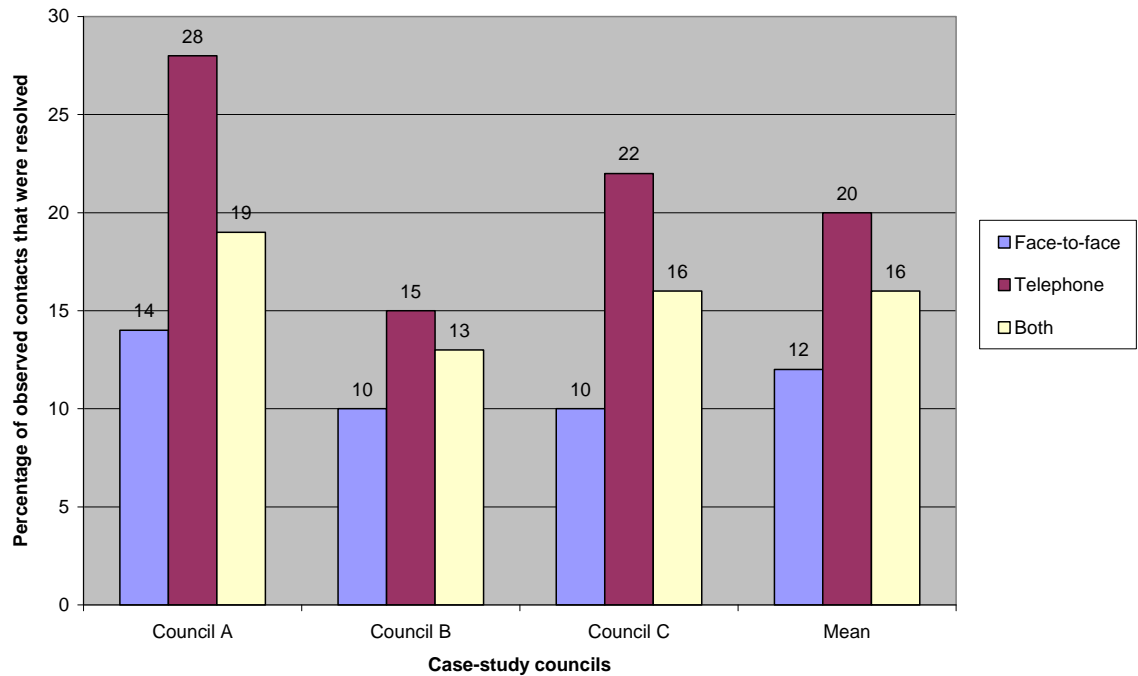


Figure 16: Summary of contacts resolved across access channels

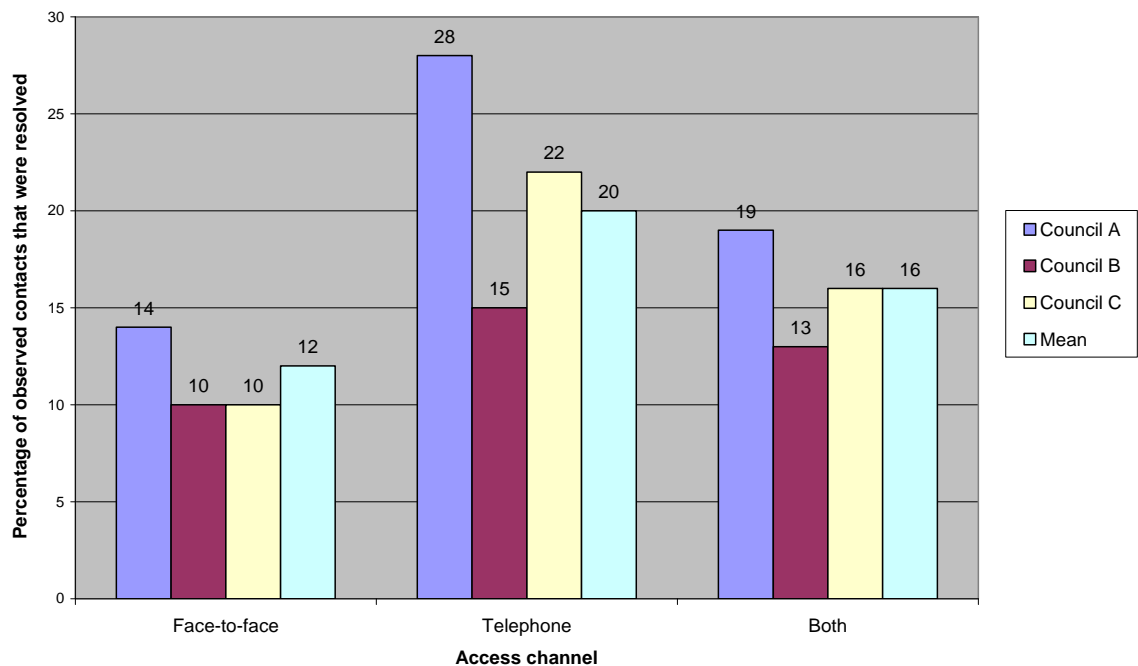
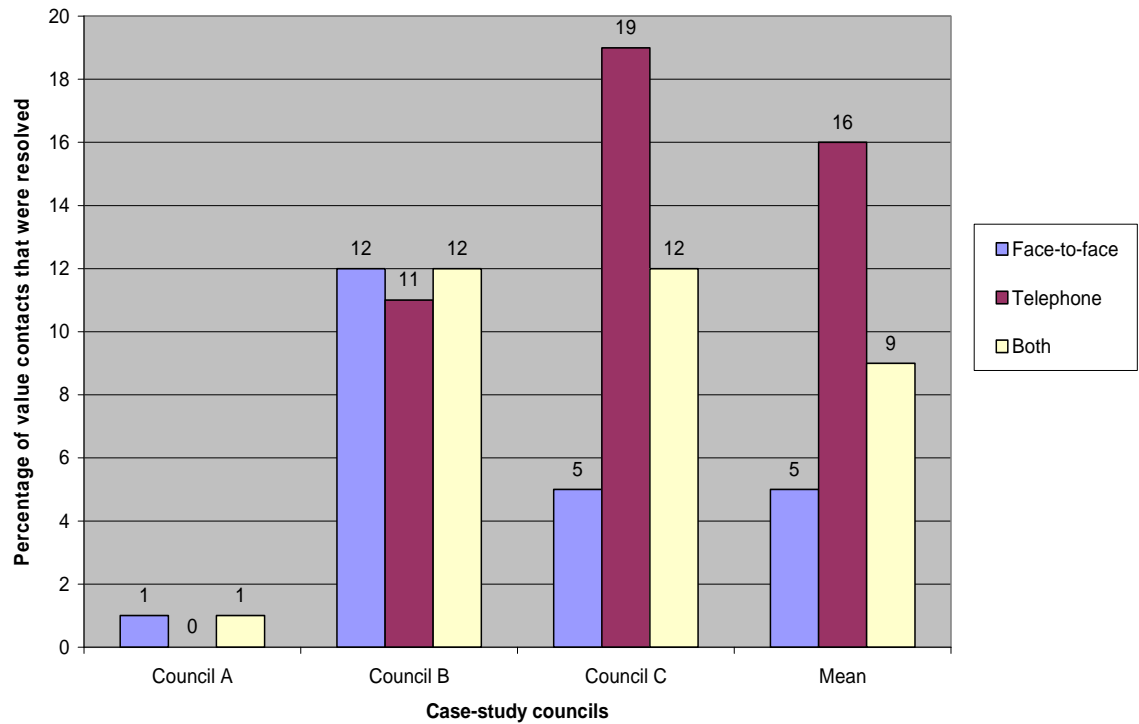
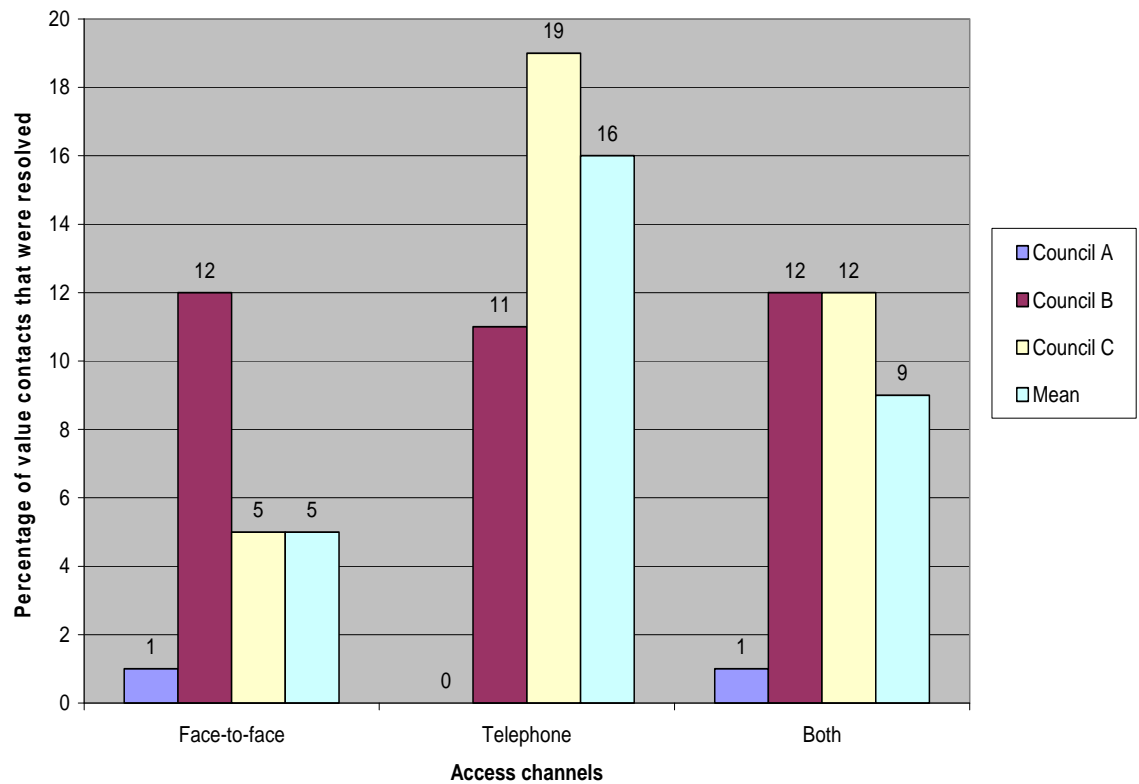


Figure 17: Value contacts resolved across case-study councils**Figure 18: Value contacts resolved across access channels**

Overall, Council A's ability to resolve customer contacts appears at first sight to be better than Council B's or Council C's, at 19% in total and 28% in the telephone contact centre. However, Council A resolved only 1% of the valuable contacts, all of which arose in the face-to-face environment. Council B, on the other hand, resolved 12% of the observed valuable contacts, and was consistent at this level across the two access channels, with 12% face-to-face and 11% on the telephone.

The data suggest some correlation between contact resolution rates and PAFID. The highest level of PAFID across all three case-studies (68% in Council A's telephone contact centre) does correspond with the lowest contact resolution rate (0%). However, Council C's relatively high resolution rate of valuable contacts in its telephone call centre (19%) corresponds with an above average level of PAFID (52% in the same environment), and Council B's more modest resolution rate of 12% corresponded with a lower level of PAFID (42%).⁶⁹

If the proportions of PAFID discovered during the observation phases of the case-studies are applied to the annual customer contact volumes and unit costs declared by Tameside Metropolitan Borough Council in the Varney Report (see **Table 1** on page 36), they translate into potential savings of between £700,000 and more than £1million a year (see **Table 36** below). These figures, substantial though they are, probably represent an underestimate of the potential saving, because I am aware (from my long experience as a senior manager of public services in local councils) that some customers circumvent corporate contact centres and access back-office environments directly, where the unit costs of contact handling are likely to be much higher. By inference, the data indicate that the potential savings available to the case-study councils described in this thesis, and to other councils administering housing and council tax benefits services in the UK, are also very substantial.

⁶⁹ To establish direct correlation a greater number of case-studies needs to be undertaken.

Table 36: Financial implications of PAFID for Tameside MBC

Access channel	Year	Total contact volumes	Range of PAFID		Unit costs	Range of costs and potential savings	
			Lower estimate	Upper estimate		Lower estimate	Upper estimate
Face-to-face	2003/04	100,126	30%	47%	£15.50	£465,886	£729,418
	2004/05	104,986			£14.65	£461,413	£722,881
Telephone	2003/04	303,511	48%	68%	£1.59	£231,640	£328,156
	2004/05	314,602			£1.39	£209,902	£297,362
Both	2003/04	403,637				£697,526	£1,057,574
	2004/05	419,588				£671,315	£1,020,243

In addition to providing an indication of potential savings, the data generate information about the causes of customer contacts that, combined with insights offered by respondents to the semi-structured interviews, may support the innovation of preventative measures. *Table 37* below summarises the most frequent causes of customer contacts, and facilitates the identification of the ten most frequent causes of PAFID.

Table 37: Most frequent causes of customer contact across three case-study councils

Causes of customer contacts	Value	Rank Order⁷⁰
Claimants advising changes of circumstances	Valuable	1
Claimants progress chasing outstanding claims	Potentially Avoidable Failure	2
Claimants providing documents that should have accompanied their original claim forms	Potentially Avoidable Failure	2
Claimants making new claims for benefits	Valuable	3
Claimants seeking clarification about supporting evidence needed by the council to complete the assessment of outstanding claims	Potentially Avoidable Failure	4
Claimants seeking clarification about benefits that have been awarded	Potentially Avoidable Failure	5
Council tax enquiries	Off Remit	6
Customers asking for claim forms	Valuable	7
Claimants responding to requests for information	Valuable	8
Claimants querying letters and notices sent to them by the council	Potentially Avoidable Failure	9
Enquiries requiring redirection	Off Remit	10
Claimants seeking clarification about overpaid benefits that they have been asked to repay	Potentially Avoidable Failure	11
Third parties seeking clarification about benefits that have been awarded	Potentially Avoidable Failure	11
Customers enquiring about possible entitlements to benefits	Valuable	12
Claimants seeking help to complete forms	Potentially Avoidable Failure	13
Claimants asking about payments they believe they should have received	Potentially Avoidable Failure	14
Landlords progress chasing outstanding claims	Potentially Avoidable Failure	15

⁷⁰ The rank order of the most frequent causes of customer contact was calculated by taking the mean value of the percentage of contacts that each cause represented across the three case-studies and then arranging those mean values in descending order (i.e. with the most frequent cause at the top) and continuing down until the analysis revealed the top ten causes of *PAFID*.

The ten most frequent causes of PAFID observed during this research were:

1. Claimants progress chasing outstanding claims
2. Claimants providing documents that should have accompanied original claim forms
3. Claimants seeking clarification about supporting evidence needed by the councils to complete the assessment of outstanding claims
4. Claimants seeking clarification about benefits that have been awarded
5. Claimants querying letters and notices sent to them by the councils
6. Claimants seeking clarification about overpayments they have been asked to repay
7. Third parties seeking clarification about benefits that have been awarded to others
8. Claimants seeking help to complete claim forms
9. Claimants asking about payments they should have received but have not
10. Landlords progress chasing outstanding claims

Semi-structured interviews conducted

It was anticipated from the outset of this research that the observation work would provide useful quantitative data about PAFID but insufficient explanation about why it occurred or how it might be prevented. The comparative analysis of the data set out above realised this anticipation. The incidence, principal causes and perceived consequences of PAFID are identified, but explanation and elucidation are lacking. For this reason, semi-structured interviews were designed to supplement and enrich the analysis.

Chapter 5 describes how, following completion of observations and interviews at each case-study site, a schedule of implicit standards of customer care was aligned with the potential consequences of breaching those standards, to identify ways in which the associated failures (i.e. causes of PAFID) might be prevented. In *Table 38* below, the outputs from those analyses are compared and contrasted to expose the similarities and differences between the case-study sites. Common issues such as: (a) inexperienced and inadequately trained staff; (b) inconsistent and undocumented office procedures; (c) defective communication with customers; and (d) scarce staffing resources appear to afflict all three case-study sites. A high degree of convergence is revealed that begins to suggest generalisability from the findings.

Table 38: Summary of data from semi-structured interviews

Common failures and their consequences identified by interviewees	Strength of indication ⁷¹			Site specific examples of common failures
	Council A	Council B	Council C	
Forms are completed incorrectly, and the evidence required to support claims is not provided. Claimants fail to identify or report errors in benefit award notices, and receive incorrect payments. Staff fail to understand letters and notices sent by their colleagues, and then give or seek incorrect information that results in further delays and unnecessary customer contacts. Customers often do not understand the content of the council's letters and notices, so they make unnecessary telephone calls and visits to local service centres. They may also suffer hardship because of delays or loss of benefits.	Strong	Strong	Strong	Staff in Council A have problems with the software used to generate letters asking claimants for further information, which does not permit sufficient adaptation to make the letters understandable. The situation is exacerbated by staff who send out requests for information that are incorrect and inconsistent.
Some officers are more comfortable using more expensive and arguably less successful forms of communication such as correspondence, instead of the telephone, or face-to-face interviews. Customers are less likely to understand letters; letters are less likely to result in the resolution of outstanding issues and more likely to prolong the claims process and generate repeat customer contact.				<p>Staff in Council B have difficulty communicating with people whose first language is not English. The staff do not understand the computer-produced letters, so they do not respond to customer enquiries with the right information. Some staff do not comply with instructions to explain awards and information requirements to customers via the telephone. Standard letters on the computer system ask for too much information. Computer-generated letters about overpayments are difficult to understand. Some of the requests for further information sent out by staff are incorrect or duplicated.</p> <p>Staff in Council C say that a lot of repeat contact is caused by computer-produced benefit award notices, which the staff describe as bewildering, confusing and looking like till receipts. Assessors are supposed to telephone customers to explain their requirements for information, but some staff are timid and prefer to write.</p>

⁷¹ "Strength of indication" is shown as varying from none, through weak and medium to strong, depending upon the extent to which (according to the interviewees) the causes of *PAFID* and their consequences are present in the case-study councils.

Table 38 (continued)

Common failures and their consequences identified by interviewees	Strength of indication			Site specific examples of common failures
	Council A	Council B	Council C	
Inexperienced staff are unable to deal with housing and council tax benefits enquiries. If experienced staff are not available to take calls, they have to call customers back at a mutually convenient opportunity. The double handling of these enquiries increases administration costs, damages customer relations and reduces resolution on first contact.	Strong	Medium	Strong	In Council A, office procedures are not documented. Staff say they are not fully trained and there is a lack of consistency and cohesion between front-line and back-office staff. Heavy workloads cause some staff to be unhelpful and to give insufficient consideration to the consequences of their actions.
Inconsistent standards among officers, and inconsistent policies and procedures (or the inconsistent application of policies and procedures) result in poor service and unnecessary activity, as claimants make repeat contacts to establish the correct situation or requirement.				In Council B, productivity is being eroded by the loss of experienced temporary staff who are being provided with valuable skills and then moved on.
Back-office staff are duplicating the work undertaken by front-office staff (because they think it may be wrong), and claimants are being asked for superfluous information that generates unnecessary customer contacts.				Council C has a central store for office procedures, but nobody relies on them because they are not kept up-to-date. Front-line staff are not trained to the same standard as benefits assessors and do not have the same level of understanding. There is a lack of process and monitoring around call handling. Inconsistent approaches have emerged. For example, different benefits assessors adopt different standards for the evidence they require to support claims. Consequently, front-line staff cannot give definitive advice to claimants. A lot of potentially avoidable contact is caused by different officers giving customers different information.
Customers are inconvenienced by being passed back and forth between different departments. Unnecessary contact is generated by the need for customers to provide the same information to the council more than once.				

Table 38 (continued)

Common failures and their consequences identified by interviewees	Strength of indication			Site specific examples of common failures
	Council A	Council B	Council C	
Unnecessary contacts occur when customers enquire about the progress of their claims, or fail to provide correct and complete information and evidence, which subsequently delays (or affects the amount of) their benefit entitlements.	Strong	Strong	Strong	<p>Staff in Council A have to write to claimants several times in order to get information, but they consider it inevitable because the requirements are complicated. Claimants may need to make repeat contacts with the council while they are trying to get information from employers and government departments. Staff say there are always going to be people who do not understand the requirements or the associated outcomes because of the complex nature of the benefits scheme.</p> <p>Council B has an ethnically diverse population and English is rarely the customers' first language. Consequently, claimants often do not understand the benefits system in general or the benefits-oriented letters that they receive.</p> <p>Staff in Council C maintain that the benefits scheme is inherently complex and dynamic. Even the staff have difficulty keeping up-to-date. Front-line staff are unlikely to give correct information about complicated cases involving (for example) self-employed claimants. The population is multi-cultural so there are a lot of language related problems. Many claimants are vulnerable and have problems with numeracy and literacy.</p>

Table 38 (continued)

Common failures and their consequences identified by interviewees	Strength of indication			Site specific examples of common failures
	Council A	Council B	Council C	
Staff feel pressured to do things quickly, which generates errors and omissions, resulting in additional customer contacts.	Strong	Strong	Strong	<p>Customer service agents in Council A complain about the lack of experienced front-line staff. Similarly, some back-office staff complain about heavy workloads, which cause them to respond negatively when front-line staff ask for help, and to place excessive reliance on the computer system. Back-office staff complain about having to check what front-line staff have done because it may be incorrect or incomplete.</p> <p>Staff in Council B express concern about work volumes, and highlight a conflict between the need to resolve enquiries at the first point of contact and the need to respond to customer demand by keeping waiting times to a minimum. Managers avoid queues in the front line by encouraging officers to complete assessment work when they return to the back office, but assessors point out that this 'batch and queue' approach is contrary to the Lean approach that the council piloted some years earlier.</p> <p>In Council C, a slow down in recruitment and the closure of a satellite office was expected to put additional pressure on front-line services that may translate into more avoidable contact and less contact resolution. Back-office staff say the front-line staff need additional training as assessment officers because they do not always give or collect the right information.</p>
Work not completed during contact with the customer is retained for subsequent attention. It then joins an accumulation of other outstanding work and may not get done immediately. Delays generate additional customer contact in the form of progress chasing. If other officers become involved, customers may be given inconsistent information and advice, and may be asked for different information and evidence to support their claims.				
Staff turnover is high and the costs of filling vacancies and training replacements are substantial. Service standards are sub-optimal because new staff are inexperienced. Disaffected staff can be inflexible, unhelpful and possibly disruptive.				
Some back-office staff are not at ease when dealing with customers and can be unhelpful, causing delays and unnecessary contacts.				

Table 38 (continued)

Common failures and their consequences identified by interviewees	Strength of indication			Site specific examples of common failures
	Council A	Council B	Council C	
A ‘them and us’ mentality in different sections of the organisation inhibits innovation by impeding the flow of information and ideas.	Strong	Strong	Strong	<p>Staff in Council A say that front and back-office staff are not working together, not ‘singing from the same hymn sheet’. Front-line staff criticise back-office staff for being too hard-headed and inflexible, while back-office staff criticise front-office staff for failing to give or collect the right information. External agencies such as the DWP, HMRC, and high street banks are not helpful either.</p> <p>In Council B, assessment officers complain that the local service centres (which deal with face-to-face enquiries) appear to work in different ways, and a lot of the information given to customers by front-line staff is wrong. A distinction is made between “old school assessors”, who won’t adapt to new ways of working, and other assessors who are more progressive.</p> <p>In Council C, front-line staff say that back-office assessors should invest more time drafting and editing the letters they send to customers. Different assessors have different procedures and apply different standards, leaving front-line staff unsure how to advise customers. Assessors are supposed to have ownership of cases but customer contact is handled by a layer of customer services staff, so many enquiries are passed back to the assessors, instead of being resolved in the front line.</p>
Actions taken in parts of the organisation cause unnecessary and sometimes controversial customer contacts to impact upon other parts of the organisation. For example, environmental services staff fail to advise customer services staff about problems with waste collection, and IT services fail to notify users about problems with software systems.				
Outdated business processes (such as the deployment of customer services staff to create a buffer between customers and assessment officers when there are serious backlogs of work) create delays, frustrate current policies and demotivate staff. They cause customer enquiries to be passed around inside the organisation, instead of being resolved by assessment officers at the first point of contact.				

Table 38 (continued)

Common failures and their consequences identified by interviewees	Strength of indication			Site specific examples of common failures
	Council A	Council B	Council C	
Some staff cannot get access to telephones and they therefore revert to correspondence, which is an expensive and less successful method of communicating with customers. If customers cannot contact officers by telephone they use more expensive access channels such as local service centres. Some customers abandon attempts to seek or provide information, which causes them hardship due to delay or loss of benefit. Lost calls may be detrimental to the council if they relate to benefit fraud prevention or detection.	Weak	Strong	Medium	<p>Council A has sufficient telephone equipment and abandoned call rates in the corporate contact centre are satisfactory. Incoming and outgoing call volumes are not problematical. There are rudimentary 'tell us once' facilities, but these entail human intervention to distribute core information (such as births, deaths and changes of address) to all departments.</p> <p>Council B is in transition to a contact centre environment and staff complain of difficulty with both outgoing and incoming calls.</p> <p>Some staff in Council C describe the telephone call centre as a buffer between customers and back-office benefits assessors, which was created at a time when there were substantial backlogs of work and it was considered necessary to protect the assessors from interruptions. The backlogs have since been cleared, but the associated call-handling arrangements persist. Customers can contact the service and officers can contact customers, but staff describe a situation in which the flow of information is constrained and distorted by the system that the service is employing.</p>

Lean thinking

A secondary objective of this research is to establish how, and under what better conditions, the UK public sector could successfully exploit Lean thinking in order to manage *potentially avoidable failure induced demand*. The theoretical perspectives and practical approaches described in Chapter 3 suggested that a case could be made for the utility of the Lean thinking approach as an alternative to the current NPM method, but that there was insufficient evidence to support any firm conclusions. The empirical research described in Chapter 5 sought to reduce that deficiency.

In Council A, management and staff describe improvement initiatives in ways that reveal an implicit rather than explicit appreciation of Lean thinking. For example, the pre-assessment of benefit claims is intended to ensure that they are clean prior to handling by expert benefits assessors. The staff are mostly unaware that they are employing Lean techniques such as removing waste, improving flow, managing constraints and avoiding unnecessary motions. Assessing new claims by taking information from claim forms as soon as they are received, instead of waiting until they are distributed via the electronic document management system, is calculated to speed up payment. However, the staff are unacquainted with the associated Lean techniques that include simplicity, thinking small and not over-processing. Introducing laminated desk aids is consistent with Lean approaches such as visual management, simplicity, thinking small, and clean and tidy.

Since the case-study was conducted, Council A has taken tentative steps toward the adoption of Lean approaches. For example, service heads across the organisation have been introduced to Lean thinking via workshop events, and the housing and council tax benefits service is conducting a feasibility study to assess the costs and benefits of a full-scale Lean Improvement Exercise. With regard to the conditions under which Lean thinking can be successfully exploited, the expectations of Council A's employees are revealed to be relatively modest: they want transparency, communication, involvement and recognition.

Council B briefly adopted and promoted among its staff a version of systems thinking built upon the Lean principles described in Chapter 3, such as moving experts into the

front line and getting things right first time. For example, back-office benefits assessors have been placed on a rota that requires them to spend time dealing with customers face-to-face and on the telephone. Some of the staff were aware that these initiatives were consistent with Lean principles, which the organisation called ‘managing the process end-to-end’ and ‘putting the best resources where they will be the most effective’. The organisation’s failure to sustain the initiative led to some scepticism about this and other improvement projects.

The research revealed that Council C has no formal policy on Lean thinking, but employs Lean-oriented approaches to performance improvement in its housing and council tax benefits service. For example, assessment officers are encouraged to contact customers by telephone instead of sending letters and notices. Back-office experts (so-called seniors) are being deployed in the public service area and efforts are being made to combine tablet computers with electronic forms in ways that might help to reduce PAFID by enabling information to be captured in claimants’ own homes, if technological problems can be overcome. The housing and council tax benefits staff in Council C have many interesting points to make about the environment in which they think that change initiatives like Lean thinking can be successfully utilised.

In contrast to the situation in Council B, the staff in Council C highlight many positive characteristics of their organisation and the people working in it. They maintain that the service has a very solid workforce that is adaptable, keen, friendly, receptive, supportive, passionate and even brilliant. This is partly attributable to the qualities of the management team, which they describe as flexible, trusting, approachable, positive and “willing to listen”. The staff identify improvements that they believe would enhance the environment, which include more pay, fairer performance measures, added consultation, better communication, greater transparency and increased involvement.

Customer journey mapping

The methodology that was employed to conduct customer journey mapping exercises in each of the case-study councils is described in Chapter 4. A total of 44 housing and council tax benefits claims were selected, each one having the longest end-to-end journey time in its category among the claims completed by the case-study councils in the preceding six months. Claim histories were compiled by examining all available records. End-to-end roadmaps or ‘customer journeys’ were then developed to describe the customers’ experiences and to identify causes of PAFID impacting upon the assessment of these real-life benefits claims. Questions about perceived failures were then formulated and presented to service managers in writing, in order to confirm the details of the individual journeys, and to secure explanations for the observations.

A comparative analysis is presented in *Table 39* below. It reveals that, in all three case-study councils, the most common problems identified during the customer journey mapping exercises were internal failures such as delays assessing claims, delays requesting information, and delays issuing award letters. An additional factor leading to PAFID emerged from the comparative analysis, namely claims not refused by staff at the earliest possible opportunity. In housing and council tax benefits services generally, managers tend to favour the truncation of outstanding claims because this optimises organisational performance in terms of government targets – it reduces average claim turn-around times.

However, the evidence from the case-studies suggests that assessment officers have different priorities, and will sometimes give precedence to customers’ interests by keeping incomplete claims open for longer than necessary. This evidence did not emerge during any other phase of the investigation, and confirms the value of adopting a variety of research tools and techniques, in this instance by supplementing observations and interviews with customer journey mapping.

Table 39: Comparative analysis of failures leading to PAFID

Causes of PAFID identified during customer journey mapping	Number of occurrences			
	Council A	Council B	Council C	Total
Delays assessing claims attributed to back-logs of work	6	6	8	20
Claims not refused at the earliest opportunity (when customers failed to provide necessary details) because customer service was given a higher priority than government targets	4	5	4	13
Delays requesting information	-	6	5	11
Claims not refused at the earliest opportunity (when customers failed to provide necessary details) because of statutory restrictions	2	5	2	9
Delays attributed to errors committed by the benefits service	3	-	3	6
Excessive reminders and requests for information	-	2	2	4
Delays despatching award notification letters	-	-	3	3
Delays requesting or conducting home visits	-	1	1	2
Delays attributed to outstanding referrals to the Rent Officer Service that were not progress-chased due to a reduced focus on monitoring activities	1	-	1	2
Delays attributed to the Local Pension Service visiting officer	1	-	1	2
Technical problems with ICT	-	1	-	1
Delays reminding claimants about outstanding information	-	1	-	1
Delays creating council tax accounts	-	-	1	1
Delays suspending claims	-	-	1	1
Delays receiving documents from outstations	-	-	1	1

Chapter summary

The theoretical insights and practical approaches described in Chapters 2 and 3 generated a number of possible explanations and questions about the management of PAFID and the potential of Lean thinking as an alternative to the NPM method for the transformation of public services and change management. They also highlighted the need for empirical understanding of current problems, and the utility of Lean approaches. The case-studies described in Chapter 5 were intended to provide that understanding.

The case-studies yield dependable data and reveal that PAFID is more prevalent and complex than failure demand or avoidable contact as previously envisaged. To reiterate, nearly half of all the customer enquiries handled by the services under investigation were attributed to previous failures, implying that nearly half of this activity (and approximately half of the associated cost) is potentially avoidable. Contact resolution rates were low. The data suggests some correlation between resolution rates and PAFID, but more work is needed to establish direct correlation. The ten most frequent causes of PAFID afflicting the case-study councils' benefits services are identified, and ways in which they might prevent PAFID are compared and contrasted. This analysis reveals a high degree of convergence and begins to suggest generalisability from the findings.

The semi-structured interviews generated numerous examples of Lean thinking in practice, and descriptions of the environment in which the transition to (and exploitation of) innovations like Lean thinking is most likely to succeed. Some of the staff in Council B were well placed to discuss these ideas, as the organisation had undertaken a short systems-oriented improvement exercise a couple of years earlier.

Chapter 7 aims to inter-relate the primary and secondary research described in this thesis in order to summarise the argument regarding PAFID. It also begins to identify the contribution that this work makes to our knowledge base on public service delivery performance.

CHAPTER 7: DISCUSSION

Introduction

In Chapter 6, I conducted a comparative analysis of the findings from three substantive case-studies to illuminate the PAFID problem and reveal the factors that might determine the extent to which generalisability might be inferred from the conclusions. In this chapter, I will broaden and deepen the analysis of the findings from the application of the research method by re-examining some of the theoretical concepts that underpin the research, and by considering the extent to which the investigation has answered the Research Questions. To reiterate, those questions were:

- Q1. What is *potentially avoidable failure induced demand*, and why does it occur in UK public service delivery?
- Q2. What does an examination of the failure mode tell us about improving the exchange process, diagnosing avoidable failure and resolving it ‘ex ante’?
- Q3. How and under what better conditions could the UK public sector successfully exploit Lean thinking in order to manage *potentially avoidable failure induced demand*?

This chapter answers these questions by examining PAFID through various filters: NPM and e-Government; modernism and hyper-modernism; the principal-agent problem; Lean thinking; knowledge management; and organisational learning. By drawing on the theoretical literature, this chapter attempts to show the contribution of the findings to a better understanding of the problems underlying public service delivery. The chapter also discusses policy options for eradicating or reducing the PAFID problem, which are then summarised in Chapter 8.

Discussion

Encapsulating ‘potentially avoidable failure induced demand’ (PAFID)

PAFID is defined here as “customer contacts that appear to be precipitated by earlier failures, such as failures to do things right first time, which cause additional and potentially avoidable demands to impinge upon public services”. The case-study research revealed that inter-related concepts such as contact cause, failure, value and avoidability that are bound up in the notion of PAFID are individually and collectively complex and subjective. The question thus arose, in whose estimation are these characteristics to be assessed? Leading commentators such as Seddon and Varney seem content with an evaluation based upon the customers’ perspective. Thus avoidable contact becomes contact that is of low value or no value to the customers. Conversely, in this scenario, contact is necessary if customers consider it to be so. Failure, error and waste are characterised in terms of the systems operated by service providers. In these circumstances, the customer is always right. This thesis argues for a different approach.

The difficulty with the wholly customer-oriented perspective on success and failure is that it can be hard to identify the customers of public service providers. Furthermore, customers’ expectations of public services can be difficult to assess, unreasonable, and possibly unaffordable. The research thus suggests that a wholly customer-centric approach to the management of PAFID is unsatisfactory because it makes no allowance for the needs of other stakeholders, such as the service providers. For example, Council C was in the process of closing a satellite office because resources were no longer available to keep it open, but the staff described the initiative as “appalling for the customers”.

The wholly customer-centric approach also overlooks the possibility that some of the people involved in the process will behave in ways that confound efforts to avoid unnecessary contact. For example, all three case-study councils said that customers fail to report changes of circumstances that may result in overpayments and prosecutions, in spite of constant reminders about these requirements. Staff ignore instructions to contact customers by telephone or face-to-face. They fail to edit computer-produced letters that

are known to be unintelligible without adaptation, and they keep incomplete benefits claims open for longer than is necessary.

There is also a moral hazard risk of customers expressing dissatisfaction when, in the view of service providers, their requests are ill-specified or incomplete. In this situation, there is a case for arguing mutual liability. This is analogous to the argument in law regarding liability, where the contribution of the complainant (or plaintiff) to the harm is an offset to damage, even if the defendant in a tort is held responsible for the harm. For instance, I may trip and fall on a pavement, but the fact that I was drunk at the time may limit the extent of damages to which I am entitled as a result. Chapter 2 of this thesis explains that different people in different places have different perceptions and expectations of public services, implying that improved performance measured in terms of cost, better contact resolution and shorter turn-around times might not translate into increased customer satisfaction.

The case-studies generated references to the complexity of the PAFID problem, and this insight provides a useful lens through which the results can be further interrogated. For example, the evidence reveals a tension between a specification of process that (in theory) handles all eventualities, assuming non-failure in its execution, and the real-world ‘information overload’ problem of dealing with all possible contingencies, even those that apply only to particular individuals. In Councils A and C, benefit claims from self-employed customers and people from abroad were said to be so complicated that no two assessors were likely to come to the same conclusions, and the chances of front-line staff giving the correct advice or collecting the right information were small. In Council B, the retrospective recalculations of some benefit assessments were said to be so complicated that nobody could explain the ensuing award letters to customers.

The research suggests that a completely defined process might be too unwieldy to implement, and that the observed PAFID was partly a measure of the complexity and interconnectedness of the process. Similarly, PAFID may be an inevitable outcome if individual customers’ needs are at variance with standard methods of assessing benefits claims, and catering to small classes of people would raise burdens on many others. Likewise, there will be limits to the improvements that can be made where standards are dictated by parties outside the immediate system. Even with employee empowerment

and knowledge management methods, the flaws and unnecessary complications imposed by others may eventually reach an irreducible minimum. In other words, while councils may (in theory) strive for perfection, some undesirable customer contact may be unavoidable. Even that which is theoretically avoidable may be difficult to identify and categorise, as the research shows that subjective judgement is involved in deciding what constitutes failure in any particular set of circumstances. The words 'potentially avoidable' preface the phrase 'failure induced demand' in the term that I have adopted to describe the phenomenon (i.e. PAFID) to signify that some types of failure may be so infrequent, unimportant or intransigent that the opportunity costs of eliminating the associated customer contact may be unacceptable.

In spite of the detailed regulatory requirements governing the UK's housing and council tax benefits scheme, local councils retain some discretion about the ways in which they administer the services. Local councils have different problems, priorities and resources. In the case-study councils, political imperatives were generally implicit rather than explicit, but the differing perspectives of the staff were more transparently attributable to complex mixtures of professional, personal and altruistic motivations, the detailed analysis of which was outside the scope of this research. However, these tensions most conspicuously manifested themselves during the observation phases of the case-study research, when there was some polarisation of views between management and front-line staff about the meanings of terms such as failure, value and avoidability. Managers were inclined to characterise most customer contacts as potentially avoidable, but staff attributed value to anything that they perceived to be useful to their customers. This suggests that, in spite of their generally positive attitude to change, staff in the case-study councils might resist developments that management consider necessary to reduce the incidence of PAFID.

The case-studies suggest that a wholly quantitative approach to identifying the PAFID problem might not be efficacious because it could result in disagreement about the findings, making it difficult to bring about desired improvements. If councils accepted Hoos' (1969) rejection of the quantitative approach, and attributed PAFID to 'soft failures', then Ackoff's (1974) interactivist approach to problem resolution (i.e. creating improvements in complex real-life situations by sharing perceptions and seeking consensus) might be effective.

Policy options

A general policy option to deal with the PAFID problem might be for service providers to accept that customer contacts that are not strictly necessary or valuable are only possibly, and not definitely, avoidable. Resources could then be focused on the incremental reduction of those contacts that are perceived to be both significant and potentially avoidable (i.e. caused by failures that might have been prevented). The eradication of PAFID could be retained as a target, something to be worked toward, even if it is acknowledged that there will be difficulties.

This research also suggests that it is necessary to accept and work with the subjective nature of concepts such as value, failure and avoidability. A range of key stakeholders are involved in the transactions that give rise to the customer contacts affecting services such as housing and council tax benefits. The public sector could attempt to accommodate these other perspectives and bring some equilibrium to the analysis by expanding the concept of the ‘voice of the customer’ to include (in the case of housing and council tax benefits) managers, benefits assessors, customer services advisors, councillors, voluntary agencies and the DWP.⁷²

In the scenario described above, customer contacts become valuable to varying degrees, depending upon the extent to which they are appreciated by the various participants. For example, the providers of public services might define value in terms of alignment with policy objectives, while customers and other stakeholders might remain concerned only with what matters to them. Failure might consist of non-compliance with a service specification that seeks to accommodate business imperatives and other stakeholders’ expectations. As already discussed, even those contacts that seem unnecessary and avoidable in some respects could be recognised as possibly and not definitely avoidable. The research suggests that a consensual approach to the investigation of PAFID would be particularly efficacious where the intention was to employ the data in a business improvement programme, the success of which might depend upon the willing participation of a wide range of stakeholders. The ‘hard’ and ‘soft’ systems approaches

⁷² The Department for Work and Pensions reimburses councils for the full costs of the housing and council tax benefits scheme.

to problem resolution described in Chapter 3 on pages 64-65 could be combined in a method that I call the “smart systems approach”.⁷³

Managing PAFID: NPM, e-Government and hyper-modernism

In spite of the positive claims for the applicability of NPM and e-Government, the research shows that they are widely perceived to be ineffective and incapable of fulfilling the expectation that they will bring about improvements and savings on the scale (or in the timescales) currently mandated by UK central government. Indeed, Margetts (2005, 81) maintains that “... technology has injected uncertainty into the heart of government”. Dunleavy et al. conclude that the UK is a world leader in ineffective IT schemes for government (Dunleavy et al., 2006, 70) because the country appears in the bottom position in an evaluation of effective government IT performers that also includes the Netherlands, Canada, USA, New Zealand, Japan and Australia. Government stands accused of failing to learn lessons from past IT-led modernisation projects (Mills, 2006), and trying to improve outdated means of production. Heeks (2001, 163) asserts that “huge sums of money are being invested [in e-Government] but a large proportion of this is going to waste”. All of this is a manifestation of the argument that throwing technology at situations will not resolve the underlying problems.

The concepts of modernism and hyper-modernism were explored in Chapter 2, on pages 22 and 23, where it was established that the literature portrayed the UK government’s reliance and expenditure on IT modernisation as hyper-modernistic in character. Subsequently, data from all three case-studies described in Chapter 5 yielded evidence of PAFID caused or exacerbated by hyper-modernistic tendencies. The most common occurrence was an over-reliance on computer-produced letters that councils despatched to elicit information from benefit claimants. They also issued notices informing claimants about awards and overpayments. The research uncovered a realisation among staff (especially those working in the front line dealing with customers’ enquiries) that these documents were deficient and caused more problems than they solved because the

⁷³ This expression is derived from the term “smart power”, which is used to describe foreign policy that combines hard characteristics such as economic and military might, with softer (diplomatic) characteristics such as legitimacy, co-operation and tolerance (Armitage and Nye, 1996).

content was often inappropriate and unintelligible. Consequently, the letters and notices generated much unnecessary contact in the form of claimants seeking clarification and reassurance. Technological solutions had been unsuccessful, and work-arounds (such as editing the documents manually and telephoning customers to explain them) were being promoted with the knowledge of management. These behaviours constitute empirical evidence supporting existing theory about 'core capabilities' and their tendency to become 'core rigidities' when routines become inappropriate but the organisation is too committed to the old ways of working to change (Tidd et al., 2005, 84).

Much has been said about the potential of mobile technologies such as personal digital assistants to help councils meet efficiency targets (Jellinek, 2007), but the design-reality gap is large (Heeks, 2001). For example, damaging breaches of the UK's data protection requirements and examples of ICT project failures were cited in Chapter 2. Constraints imposed by the need to satisfy central government's code of connection to its secure network are described in Chapter 8 on page 242. I have observed, during many years service in the public sector, that managers are particularly adept at resisting change if it threatens to reduce the services or resources under their control. Administrative staff are equally adroit at defying transformations that do not correspond with their perceptions of 'the way things are done around here'. Translating efficiency improvements into cashable savings can be difficult and time-consuming. A programme of business process reengineering is often required to transform efficiency gains into savings but public sector personnel rarely have these skills and councils can be reluctant or slow to purchase consultancy support.

The empirical research reported in this thesis revealed that Councils A and C had both spent time and money developing software for use on hand-held computers that were intended to facilitate the calculation of housing and council tax benefits by officers visiting claimants in their homes. Expected efficiencies, such as improved claim turn-around times and reduced avoidable contact, had not emerged because electronic claim forms were longer and more difficult to use than paper forms. The interfaces between the various software applications involved were unreliable or incomplete and data had to be re-keyed. Staff said that the hardware was too heavy, and the technology was more trouble than it was worth. Nevertheless, management remained supportive of the innovation and planned further development.

In spite of the problems with some e-processes described above, it is worth noting that there are examples of successful implementation of some forms of e-Government. For instance, E-Health Insider (2010) describes a successful electronic service in the shape of the NHS network N3, which links all NHS sites in England and was recently extended to include Scotland. N3 is described as one of Europe's largest broadband virtual private networks, enabling the NHS to transform service delivery and standards of care, and benefiting patients throughout England and Scotland. The NHS has also deployed wireless tablet PCs that enable medical staff to access patient records on the ward without referring to paper notes (Computing chaos, File on 4, BBC Radio 4, 2nd March 2010). The hand-held computers read barcodes on drugs, which helps to ensure that the right drugs are administered at the right time, and they can be sterilized to reduce the spread of infections like MRSA and *Clostridium difficile* (Nursing Times, 2009). Aichholzer and Tang (2004) also reported an increasing electronic accessibility for UK (and Austrian) citizens to public sector information (such as consultation documents and back-ground information in decision-making processes) that was formerly often shrouded in secrecy and unavailable to the public.

A distinction therefore needs to be made between the bad implementation of e-Government services, several examples of which are identified in Chapter 2 (pages 26 and 27), and the positive potential of ICT to support the management of PAFID. For example, an increasing contribution to defect prevention is being provided by so-called 'intelligent forms', which can be completed online, submitted electronically and then integrated directly into document workflows and processing systems. These electronic forms respond to users' answers, alert users to incorrect or incomplete input, require the completion of mandatory fields, provide assistance through help messages, and allow the retention of partially completed forms for recovery and completion at later dates. Internal applications include purchase orders, expenses claim forms, and personal development reviews. Local councils are deploying intelligent forms on their websites to handle a wide range of external enquiries and requests including: comments, compliments and complaints; abandoned vehicle reports; missed bins; planning applications; and requests for food safety inspections.⁷⁴ Inevitably, some of these

⁷⁴ For example, see 'Do It Online' at Winchester City Council, available online at <http://forms.winchester.gov.uk> accessed 03/05/10, and 'A to Z of Forms' at Camden Council, available online at <http://www.camden.gov.uk> accessed 03/05/10. 'Online Forms' at Flintshire County Council are available online at <http://www.flintshire.gov.uk/wps/portal/english/forms> accessed 03/05/10.

developments are more successful than others, and the case studies revealed that e-forms are unsuitable for some transactions (such as applications for means-tested welfare benefits) due to the complexity of the issues, the amount of information that needs to be imparted to customers, and the large number of questions that need to be asked.

The literature also provides positive illustrations of ICT support for performance improvement in public services. For example, a municipal system called CitiStat, originally introduced into Baltimore (Perri 6, 2004, 87-92) and then extended into other major American cities and the Vancouver Police Department, has recently been piloted in the Scottish public sector (Scottish Executive, 2006). CitiStat is not a software system in itself but more a performance management system that relies upon some relatively straightforward and commercially available hardware and software technologies like Graphical Information Systems (GIS), spreadsheets and databases. An independent assessment found that the programme helped to enhance customer relations, increase accountability for resources, share performance information and policy data, and improve the delivery of goods and services (Henderson, 2003).

It is likely that IT supported decision making of the kind provided by the CitiStat process can contribute to the eradication or reduction of PAFID. For example, Henderson (2003) describes the continuous collection and analysis of performance related data via computerized information networks. Typically, the data and analyses are examined during regular meetings in special facilities equipped with advanced audio-visual technology, where participants (usually service providers answering to senior managers and politicians) can view GIS-generated maps, budgets and other data projected onto large screens. The process enables regular policy and administrative adjustments such as close control of unscheduled staff absences, which in turn enhances the capacity of agencies to identify and resolve, or anticipate and prevent, service delivery problems such as PAFID.

Policy options

Technologies such as hand-held computers and e-forms are deployed by councils to help with the task of capturing correct and complete information at the first point of

contact. However, the research shows that technology can sometimes interrupt the work, create barriers where none previously existed, and introduce unnecessary motions, all of which correspond with the ‘service wastes’ that Lean thinking seeks to eliminate. Consequently, councils might adopt alternative approaches based upon simplicity and not over-processing. For example, while some enquiries and requests can be captured electronically, other e-forms may be so long-winded that neither customers nor staff will use them, or their contents may have to be re-keyed in back offices because there are no automatic interfaces with other business systems. Councils could withdraw dysfunctional e-forms of the type described above until they are ‘fit for purpose’ and, in the meantime, revert to paper-based forms. Similarly, if it is not currently possible to develop at reasonable cost software that will enable the automatic production of letters and notices that meet customers’ needs, councils could revert to templates that assessors can adapt on a case-by-case basis. The additional burden placed on benefits assessors in back offices might be outweighed by the added-value for customers and the improved efficiency of services when viewed from a holistic or ‘whole system’ perspective.

Managing PAFID: principal-agent problems

The literature explains the complications that can be generated by the separation of ownership by principals from execution by agents. To reiterate, agency theory argues that the desires and goals of principals and agents conflict, and that it is difficult or expensive for principals to verify what agents are doing. Agents may attempt to exploit the rules or behave inappropriately from the principals’ perspective. If agents are insulated from risk, they may not be as diligent as they might otherwise be. All this creates moral hazard risk.

Policies can be designed to induce agents to behave as principals require, but these can create perverse incentives and generate unintended consequences. For example, the local authorities that administer housing and council tax benefits services act as agents for central government, representatives of their citizens, and principals in relation to the staff that they employ. The elected members of those same councils regularly find themselves involved in negotiations between officers and claimants to maximise the housing and council tax benefits entitlements of vulnerable families in their

constituencies. These cases often involve communication with members of parliament, representatives of central government and local advice agencies.

Within the case-study councils, managers acting as principals were mainly focused on business objectives such as improving performance and reducing costs. Staff acting as agents were mostly customer-centric in their approaches. Team leaders (i.e. supervisors) occupied difficult territory between the two extremes, sometimes acting as principals and sometimes as agents. The case-studies yielded evidence of principal-agent problems affecting housing benefits services, and these are summarised in *Table 40* below.

Table 40: Principal-agent problems affecting housing benefits services

Symptoms	Consequences
Front-line staff (agents) fail to record customer contact details on the customer tracking system	Frustrates management's (principals') attempts to monitor work and make staff (agents) accountable
Front-line and back-office staff (agents) fail to acknowledge problems caused by internal process delays	Deprives management (principals) of information about the true customer experience and frustrates attempts to improve the situation or make staff (agents) accountable for their performance
Managers (principals) and staff (agents) have different perceptions of contact value and avoidability	Frustrates management's (principals') attempts to monitor and improve the situation
Sections (principals and agents) within the same department fail to co-operate with each other	Inhibits improvement by impeding the flow of information. Managers (principals) want teams (agents) to co-operate, but the organisational arrangements that managers have put in place to protect back-office specialists (agents) from interruptions create barriers and increase hand-overs and movement between process stages

Table 40 (continued)

Symptoms	Consequences
Back-office staff (agents) are reluctant to deal directly with customers	Managers (principals) want staff (agents) to contact customers by telephone or face-to-face, but staff (agents) prefer to write letters, even if this prolongs the claims process and generates PAFID. Benefits assessors (agents) are not confident about speaking to customers; they want to preserve their anonymity and do not want to get drawn into potentially complicated enquiries. It is easier to send letters and put claims back into the system for a few more weeks. Front-line staff (agents) maintain that these letters are often unnecessary, unclear, inconsistent and long-winded. Assessors (agents) are insulated from the risk that customers may be aggrieved by their actions because of the barrier provided by front-line staff
Back-office specialists (agents) check the work of front-line officers and ask customers for superfluous information	Benefits assessors (agents) impose strict evidential requirements not mandated by managers (principals), and disregard opportunities to be flexible and speed-up claim turn-around times
Benefits assessors (agents) in different parts of the organisation apply different standards, leaving front-line staff (agents) unsure how to advise customers	Managers (principals) want consistently good standards of service, but benefits assessors (agents) apply their own values and complain about inadequate staffing resources, training and equipment
Front-line staff (agents) are not inclined to view contact resolution in the context of the end-to-end customer journey	Managers (principals) want to evaluate contact in terms of the overall customer experience, but this is objectionable to the customer services staff (agents) because few of the enquiries they handle result in one-stop resolution and they fear this may be perceived as poor performance
Benefits assessors (agents) keep incomplete claims (where supporting evidence is outstanding) open for longer than strictly necessary, even though this increases average claim turn-around times and is detrimental to organisational performance measured in terms of targets prescribed by central government departments (principals)	Managers (principals) want benefits claims that have not been properly completed to be closed down as soon as possible because this reduces average claim turn-around times and improves organisational performance measured in terms of central government targets.

A different perspective on the principal-agent problems afflicting housing and council tax benefits services is provided by the analysis set out in **Table 37** on page 197, which identifies the ten most frequent causes of PAFID observed during the case-study research. These causes (i.e. failures that might have been prevented) are reproduced below and then further examined through the lens of agency theory to assist with the identification of policy options:

1. Benefits claimants progress chasing outstanding applications
2. Claimants providing documents that should have accompanied original claim forms
3. Claimants seeking clarification about information and evidence needed by councils to complete the assessment of outstanding claims
4. Claimants seeking clarification about benefits that have been awarded
5. Claimants querying letters and notices that have been sent to them by councils
6. Claimants seeking clarification about overpayments they have been asked to repay
7. Third parties seeking clarification about benefits that have been awarded to others
8. Claimants seeking help to complete claim forms
9. Claimants asking about payments they should have received but have not
10. Landlords progress chasing outstanding claims

Arguably, the evidence suggests that customers and landlords are asking council staff for information (such as indications of what constitutes adequate criteria for qualification) that would tilt outcomes in their favour. The process model (the procedure for claiming, assessing, and paying housing and council tax benefits) assumes fixed inputs and determinate outputs. If, alternatively, the process operates as a negotiation, the repeated contacts can then be interpreted as an ‘information extraction’ strategy on the part of the claimants, aimed at improving the chances of securing the outcomes they desire. Hastening resolution pushes the negotiation process on to the next stage, while the information channel informing customers and landlords of progress may contribute to their strategy of trying to tilt the process in their favour.

Benefits claimants may believe (based on a subjective rather than an objective assessment of the situation) that the initial application requirements are onerous. Thus they make initial attempts to pass through the process by providing incomplete information and documentation. Applicants are thus encouraged if, in practice, some

incomplete applications are successful. Some hapless claimants are questioned about their submissions and that leads to the production of further information. This suggests that a critical feature of the system may be customer information exchange about what 'passes' (i.e. what is acceptable), and information from council personnel contributing to the impression that some flexibility exists in the evidence and information required. Customers may believe that confusion in the application serves their interests. Not knowing what the 'right answer' is, the respondents provide in the combination of initial and subsequent submissions a variety of information, assuming that council personnel will sort it out in their interest. The implication is that being helpful to customers encourages this behaviour.

At this stage, customers may be aware of the possibility that better outcomes could happen and it is in their interests to query the system with the aim of improving the outcomes. Explaining awards and reassessments provides an 'information disclosure' element that allows the customers to query the process and to attempt to re-start it if the desired results are not achieved. Fraudsters may test the system for weaknesses that can be exploited, such as uncertainty on the part of council staff about what benefits have been paid or who has received them. Incomprehensibility is, again, in the 'eye of the beholder': if the outcomes are not in the customers' interests, they will more likely be seen as incomprehensible. More prompt notification of outcomes will not influence the underlying incentives.

At the heart of these conundrums is the view that councils and their personnel have divided interests. On the one hand, as principals, they are meant to serve taxpayer interests by denying claims that are not justified (either fundamentally or in the level of benefits to be granted). On the other hand, they are taken to represent customer interests, i.e. to be agents of the customers in achieving the customers' requests. Conflict between these two roles causes customers to view councils and their personnel as adversaries in a game involving negotiation and selective disclosure of information.

There are thus disjunctions between the expectations of customers and council workers, the perspectives of workers at different levels within the organisational hierarchies, and between councils' and customers' interests. The perceived ineffectiveness of the

administrative arrangements may be a consequence of these complexities: the permutational variety of failures outruns the ability of the councils to map or reliably reproduce decisions and explanations, so that customers may experience inconsistent information, advice and outcomes.

Policy options

To reduce the ‘transactions demand’, councils might make the process of claiming benefits more deterministic and rigid – one does not negotiate with the seller of lottery tickets. This, however, conflicts with customer service obligations. An alternative might be to become more customer-centric by enabling benefits assessment officers to negotiate on behalf of claimants with other council staff who act as internal standards keepers. If the assignment of customer agents by councils is arbitrary, and the negotiation between the agents and the assessors is more efficient than the negotiation between the assessors and the customers, this is efficiency improving. If customer agents differ in competence when negotiating customers’ interests, the assignment of agents to customers may become the crux of the problem and the basis of complaints and appeals.

More generally, the empirical research highlights the conflict between a deterministic process perspective, in which all parties have a common interest (and incentive) to ‘get it right first time’, and the view that confusion and obfuscation may be inherent in the nature of the problem being solved, or that serving one or another of the parties’ interests is unavoidable. This, in turn, suggests a variety of radical approaches that might be undertaken to resolve the principal-agent issues identified above.

In the case-study councils, there were varying degrees of realisation that the existing arrangements for distinguishing between front-line and back-office roles were problematical and exacerbating PAFID by fragmenting the processing of the work. The councils could, therefore, abandon the prevailing trend toward specialisation, forego anticipated economies of scale, reintegrate staff roles, and redesign business processes to re-establish contact between customers and the officers who assess their benefits claims. Alternatively, as explained above, councils might prefer to make a clearer

assignment of the customer service function to one group of staff and the standards maintenance function to another group of staff within their organisations. A fixed assignment of case officers might then make it possible to monitor individual performances, while a clearer demarcation of stages in the decision-making process might prevent renegotiation strategies if assessments seem to be heading toward (or reaching) unfavourable outcomes for individual applicants.

Managing PAFID: innovation, change, knowledge and learning

The literature that addresses innovation, change management, knowledge management and organisational learning is extensive, but does not directly explain how UK public services might exploit these concepts to reduce PAFID. A careful examination of the empirical evidence from this research provides some illumination regarding the strengths and weaknesses observable in the arrangements operated by three case-study councils. The public sector can also draw upon the early experiences of Lean thinking in central government departments, as the approach is being deployed in sections of Jobcentre Plus and HMRC.

The research reveals that, in some respects, the case-study councils have sophisticated arrangements for capturing, sharing, retaining and securing information. For example, each council has extensive and modern ICT infrastructures, supported by teams of skilled operators, analysts, developers and technicians. Policies and procedures seek to ensure compliance with regulatory requirements (such as the Data Protection Act and the Freedom of Information Act), while business continuity plans provide resilience and facilitate disaster recovery. Authorised personnel have well-equipped workstations, Internet and Intranet facilities, and modern software applications (currently Microsoft Office Professional).

In other respects the case-study councils share deficiencies in knowledge management that impact upon their abilities to innovate and learn. For example, each of the housing and council tax benefits services under investigation operates complex Electronic Document Records Management Systems and Customer Relationship Management (CRM) systems containing millions of documents and records about customer contacts. However, in each case, access is restricted to users in benefits services. The applications

are not available for use throughout the councils and opportunities for sharing data and systems are lost. The requirement is that front-line staff should create records on the CRM systems for all customer contacts, but in practice these files are neither comprehensive nor complete. Indeed, it is common to find less than 50% compliance with the requirement to record contacts. Many of the entries that have been made are incomprehensible. Efforts to extract and analyse customer insight data for the purpose of investigating PAFID were unsuccessful due to the manner in which they are structured. Crucially, the systems are not integrated with other applications such as telephony, geographical information systems and Local Land and Property Gazetteers, so that opportunities to generate new knowledge by amalgamating existing information about customers are not exploited.

In each of the case-study councils, staff complained about inadequate arrangements for documenting and sharing information and procedures. The consequences of these failures contribute toward low levels of resolution on first contact and high levels of PAFID, as customers seek to reconcile inconsistent information and advice dispensed by officers. Council A has compiled a procedure book and developed desk aids, but these initiatives are confined to one specialist service area. Council B is contemplating the introduction of standard procedures that would be designed to compel officers to handle customer contacts in specified ways. Council C has created a training team to provide standardised training for new entrants, but officers still complain that many procedures evolve in the workplace and differ from team to team. The staff in all three sites were explicit about the need for systems that encourage co-operation, learning and knowledge sharing.

The research revealed that much of the knowledge required by personnel in public services like housing and council tax benefits is not easily codified because of its complexity and volatility. Similarly, the interactions that public servants have with their customers can be convoluted, and the decision-making that is necessary to bring these transactions to a conclusion involves a significant component of subjective judgement, as explained earlier in this chapter. It is also apparent that a proportion of the knowledge that these officers require in order to resolve customer enquiries and get things right first time is undocumented or permanently in transition. For example, there are always new regulations to be interpreted, office procedures to be devised, guidance notes to be

drafted, and staff to be trained to meet new requirements. The adverse outcomes observed during the research included low levels of resolution on first contact and high levels of PAFID. These findings appear to correspond with Manyika's (2006) description of 'tacit but unarticulated and not-yet-codified knowledge' that was discussed in Chapter 3.

The stereotypical portrait of government depicts stifling bureaucracy, over-controlling bosses, apathetic employees and red tape that inhibits innovation and learning (various authors including Gouldner, 1954; Blau, 1956; Merton, 1957; Selznick, 1957; Burns and Stalker, 1961; Drucker, 1969; Osborne and Gaebler, 1992; Morgan and Murgatroyd, 1994; Golden and Hughes, 2001; Massey and Williams, 2005; McNary, 2008). Mintzberg (1983) characterises strong hierarchical bureaucracies (such as agencies that focus on the mass handling of forms, benefit claims and other documentation submitted by citizens) as "machine bureaucracies". He maintains that these agencies are likely to be among the biggest users of government IT systems and arguably the most sensitive to their strengths and weaknesses. If 'machine bureaucracies' like housing and council tax benefits services are particularly sensitive to these adverse effects, this may explain why they yield evidence of particularly high levels of failure. The case-study councils exhibit features that both reinforce and contradict these preconceptions (see *Table 41* below).

Table 41: Factors inhibiting and encouraging innovation and learning

Inhibiting	Encouraging	Case-study council		
		A	B	C
Internal divisions prevent co-operation between staff in sections of the same department, officers are "not singing from the same hymn sheet".		X	X	X
Assertions that repeat contacts are necessary because the process is unavoidably complicated.		X		
	Acknowledgement that everybody has good ideas and sharing them could make things more streamlined.	X		

Table 41 (continued)

Inhibiting	Encouraging	Case-study council		
		A	B	C
	Recognition of an over-reliance on technology, especially computer-produced letters.	X	X	X
	Requests for more training.	X	X	X
	The assertion that it is important to understand what technology can do for you and to adapt working procedures accordingly.	X		X
	The development of a holistic 'end-to-end' perspective on customer contact handling.		X	
Some officers refuse to change.	Some officers speak positively about changes emerging from a systems-oriented service review.		X	
Erosion of the skills base through the loss of highly trained temporary staff.			X	
	The recognition that inconsistent policies and procedures are causing a lot of PAFID and the problem needs to be addressed	X	X	X
There is a central source for office procedures but nobody relies on them because they are not kept up-to-date.				X

If the rigid adherence to rules and procedures that is commonly associated with bureaucracy inhibits innovation and learning, why are highly structured and disciplined organisations such as Toyota successful, and why is there a burgeoning interest in Lean thinking, which promotes standardisation? Adler (1999) explores the tension in large organisations between the desire for minimum bureaucracy in order to release the creative energy of employees, and the necessity for hierarchical structures and procedures to cope with the chaos described by Tom Peters (1989). Adler's observation that organisations whose primary tasks are essentially repetitive are under great pressure to find ways of mobilising their employees to contribute to continuous improvement, resonates in the UK public sector where the urgency to do more with less may never have been greater.

Adler proceeds to offer an alternative perspective by distinguishing between two different types of bureaucracy, one coercive and controlling, the other enabling. Coercive bureaucracies are characterised by rigid rule enforcement, extensive written procedures and hierarchical controls. Enabling bureaucracies involve and empower employees, use rules and regulations as enabling tools, and support organisational learning. For example, Adler says that Toyota has found better ways to develop and use very detailed standardised procedures without inhibiting creativity by bringing together workers and supervisors to develop effective working methods (Adler, 1999, 39). Similarly, Toshiba and Motorola are said to have successfully combined the standardisation⁷⁵ of routine tasks with enabling autonomy in non-routine tasks. Adler maintains that significant benefits are available from the enabling approach in the form of increased employee commitment and loyalty and improved performance, but he warns that it involves extensive and costly up-front training and socialisation of employees and managers (Adler, 1999, 45).

Policy options

The research suggests that strong but previously unrecognised parallels exist between the type of work undertaken by public servants in areas such as housing and council tax benefits, and the ‘tacit interactions’ undertaken by people that Manyika calls ‘tacit workers’. Reich (1992) would probably place them somewhere between in-person service workers and symbolic-analytic workers. The argument continues that tacit interactions depend upon a complex mixture of judgement, problem-solving skills and information exchanges. Improving the effectiveness of these exchanges represents a significant opportunity to increase productivity. The literature suggests that the way to get the best out of people like public sector tacit workers is to provide them with a supporting environment that fosters change, learning, collaboration and innovation. Staff in the case-study councils would probably add to their list of requirements a better working environment, more pay, additional staffing resources and better training.

⁷⁵ Henry Ford distinguished between “... standardizing that marks inertia and the standardizing which marks progress”, and argued that standards should be developed by the workers not forced upon them from above (Ford and Crowther, 1926).

The Improvement and Development Agency (IDeA) for UK local government has developed an online community platform supporting professional social networks across the public sector to facilitate better knowledge management. It provides a secure environment for knowledge development and sharing through online communities of practice, fulfilling one⁷⁶ of the key requirements of Rothwell's 'fifth generation' innovation process, which involves the increased use of expert systems (Rothwell, 1992, 236). For example, the West Sussex Accessible Services Partnership (WSASP) has a community of practice on the IDeA platform for staff employed by its member councils, which seeks to facilitate the sharing of best practice among the partner authorities. WSASP's site also serves as a repository for knowledge that might otherwise be mislaid over time, as individual contributors come and go.

Local councils are beginning to emulate the online approach to knowledge management, learning and innovation. For example, the London Borough of Brent has a community of practice on the IDeA platform for internal communication and engagement, which provides an online space for collaborative working and information-sharing for people working with the council to improve services in the borough. Kent County Council has a variety of sites on the same platform, for issues ranging from communications and public health through to member development. One of the case-study councils described in Chapter 5 of this thesis (Council A) creates micro-sites within the corporate Intranet system to store and share information about ongoing and completed ICT projects. For example, a CRM site holds all the documentation associated with a two-year programme that concluded with the implementation of a corporate contact centre and CRM system. A recently developed micro-site captures and shares data and information emerging from a project that seeks to identify and reduce PAFID affecting a range of council services. These resources, together with access to members of the relevant project teams, are available to people throughout the organisation. However, the research suggests that the level of usage of these facilities is not substantial and could usefully be extended.

⁷⁶ The other four innovation processes in Rothwell's typology are the technology-push model, need-pull model, coupling model, and integrated model (Rothwell, 1992, 236).

The research did not reveal clear examples of Adler's enabling bureaucracies in local government,⁷⁷ but embryonic versions of the model were found in branches of Jobcentre Plus and HMRC. Here, Lean approaches are being introduced with the aim of improving services and reducing costs. There are strong similarities between the contact handling and processing activities of these central government departments and local services such as housing and council tax benefits. It is therefore possible that local councils and other government agencies can learn from the Jobcentre Plus and HMRC initiatives.

The literature cautions against excessive optimism. Simply copying management ideas from elsewhere is not enough: new ways of working must be learned and changed to suit the circumstances. The odds in favour of a successful innovation can be increased by managing the situation (e.g. providing necessary ingredients such as technical resources and capabilities, generating the conditions under which creativity can flourish, involving the users, preparing the market, and communicating well) but scholars point out that "... innovation management is a learned capability too" (Tidd et al., 2005, 69).

Managing PAFID: Lean thinking

The preceding sections of this chapter inter-relate theoretical ideas about PAFID and Lean thinking described in Chapters 2 and 3, with findings from empirical research (case studies conducted in UK local councils) detailed in Chapters 5 and 6. The outcome of the above analysis is a series of policy options or recommendations for addressing the PAFID problem. The adoption of Lean thinking for the management of PAFID is one such opportunity.

Lean thinking is identified as a method for managing PAFID because of the strong correlation between its distinctive underlying philosophy (based on process improvement through the elimination of everything that is non-value-adding) and the causes of PAFID highlighted in this research. Key features of the Lean management method (such as systems thinking, waste reduction, defect prevention, customer focus,

⁷⁷ Council B had undertaken a short Lean improvement exercise in 2004, and the management style at Council C was in some respects benign (see Chapters 5 and 6), but neither organisation had comprehensively or consistently embraced holistic or interactivist approaches.

continuous incremental innovation, knowledge management, organisational learning, non-hierarchical structures, collaborative working, individual responsibility and self-motivation) correspond with the policy options set out earlier in this chapter, such that their application to the PAFID problem offers the strong prospect of service improvement and cost reduction through the eradication or reduction of the problem. Evidence of early successes in the UK public sector with process improvement through the application of Lean thinking is found in the offices of Job Centre Plus and HMRC. Four examples of the correlation between the problems of PAFID affecting UK local councils as reported in this thesis, and the Lean management methods that could be applied to resolve them, are set out below to illustrate the strength of the argument:

(1) An over-reliance on technology. This problem is illustrated in the case studies by the widespread use of computer produced letters, forms and notices that many customers (and some staff) do not understand. Enquiries and complaints precipitated by these documents generate PAFID. The ‘Lean prescriptions’ for this (i.e. the ideas, tools and techniques that could be employed under a Lean management regime) include: (a) focusing on the needs of key stakeholders; (b) gaining a deep understanding of the problem through root cause analysis; (c) finding sustainable solutions that are supported by staff through creative problem solving; (d) redesigning processes to eliminate non-value-adding activity; (e) capturing the gains in revised standard operating procedures; and (f) reverting to less technical solutions, when necessary.

(2) Principal-agent problems. These are illustrated in the case-studies by the differing attitudes and opinions of stakeholders (managers, supervisors and staff in this study) about the necessity, value and avoidability of some customer contacts. The ‘Lean prescriptions’ include: (a) taking a systems approach to problem resolution by acknowledging that the problem is essentially about people’s perceptions, values and attitudes; (b) combining ‘hard’ and ‘soft’ systems analysis into what I call a ‘smart systems approach’ (see the discussion on pages 214-215); (c) striving for perfection but acknowledging the existence of ‘soft failures’ that are matters of opinion; (d) removing or reducing internal barriers by redesigning the organisation, which might include moving experts to the front line.

(3) Deficient arrangements for knowledge management and organisational learning. These are illustrated in the case studies by office procedures and CRM scripts that had become disused because they are not kept up-to-date. The case studies have also provided evidence that different groups of staff are trained to different standards with the consequence that customers are given incorrect, incomplete and inconsistent information. The ‘Lean prescriptions’ for this include: (a) accepting that the associated knowledge is not easily codified because of its complexity and that the work involves a significant element of subjective judgement; (b) recognising the work as knowledge work and treating the staff as knowledge workers who are most likely to be productive in a supportive ‘enabling’ environment where there is a commitment to knowledge management, organisational learning, training and development; and (c) maintaining structure and discipline while still involving and empowering staff to make changes.

(4) Batching-and-queuing. This is illustrated in the case studies by long delays between stages of the benefits assessment process, and excessive end-to-end times observed during the mapping of ‘customer journeys’ experienced by benefits claimants. The ‘Lean prescriptions’ for this include: (a) developing visual management techniques to ensure that the status of key processes is visible to all and no problems are hidden; (b) undertaking root cause analysis; (c) developing countermeasures through creative problem solving and continuous improvement; (d) capturing improvements in standard operating procedures and communicating them to relevant workers; and (e) reinforcing individual responsibility.

In spite of the challenges inherent in the implementation of new management methods, the research shows that Lean thinking has been adopted in parts of the UK public sector, although the potential benefits have yet to be widely realised. Commentators on Lean thinking focus almost exclusively on the benefits to be derived from it, but the case-studies described in Chapter 5 reveal some previously unreported challenges with the Lean-oriented approaches that have been attempted in these particular housing and council tax benefits services. For example, the pre-assessment of benefits claims is intended to ensure that skilled assessors get correct and complete information, but this activity could also be perceived as non-value work (i.e. checking) and thus contrary to the principle of getting things right first time. Similarly, communicating directly with customers (face-to-face or via the telephone) instead of writing letters, is intended to

keep the work moving and reduce waste by preventing defects. However, the practice could potentially expose benefits assessors to manipulation and intimidation by claimants and increase the risk of claimant fraud. Finally, reducing the reliance placed upon computer-produced letters and notices to communicate with customers is intended to improve the customer experience and reduce unnecessary contact, but manual intervention arguably constitutes quality control, not quality assurance, and might increase the risk of misinformation and error. These suggested concerns, however, do not negate the potential benefits of Lean thinking for the management of PAFID but simply serve to highlight the need for care, as the incautious application of any management method may generate unintended consequences.

Policy options

The literature shows that Lean thinking is a systems (and systematic) approach to performance improvement and cost reduction that addresses problem situations by combining so-called ‘hard’ (quantitative) and ‘soft’ (more qualitative) management techniques. Studies have also demonstrated that Lean promotes partnership through team-working and encourages participation by enabling and empowering staff to identify and resolve problems.

In many cases, the Lean interventions identified in the literature are tools-based⁷⁸ and these approaches are revealed to be capable of generating rapid improvements, or ‘quick wins’. However, the implementation of Lean thinking as a management system, such as suggested in this thesis, aims to embed fundamental changes like continuous incremental improvement, knowledge management and organizational learning. Councils could consider adopting ‘contingency’ approaches to the management of the PAFID problem by combining Lean thinking and Lean tools with contributions from other compatible efficiency concepts such as Six Sigma and Balanced Scorecard (*see Table 2 on pages 60-63*) but these options are not explored in this thesis.

⁷⁸ Many Lean-oriented improvement initiatives involve the selective application of tools such as Value Stream Mapping and Visual Management, deployed during short ‘Kaizen Blitz’ workshops. However, Professor Dan Jones says that “... the tools on their own don’t add up to much” (Dan Jones, speaking at the Streamlining the Public Sector conference, Institute of Physics, London, 19th March 2009).

Chapter summary

In this chapter, the findings from the primary and secondary research, including relevant literature discussed throughout this thesis, were inter-related to explain PAFID, answer the Research Questions, and generate options for achieving the goal of eradicating or reducing the PAFID problem. A key consideration for UK local councils is the possible deployment of the systems-oriented management method known as Lean thinking.

The next and final chapter summarises the conclusions, policy options and contributions to public sector management theory and practice that can be drawn from the research. A description of recent developments that reinforce the need for new ways of improving public services and making them less expensive follows the conclusions. Finally, the chapter suggests avenues for further research.

CHAPTER 8: CONCLUSIONS, IMPLICATIONS AND FURTHER RESEARCH

Introduction

This chapter summarises the conclusions, policy implications and contributions to public sector management theory and practice that can be drawn from the research described in this thesis. The findings from this study provide building blocks for further studies and this chapter therefore suggests avenues for further research. Recent developments are described that reinforce concerns about central government policy regarding electronic service delivery and highlight the urgency with which UK public services need to find alternative ways of improving performance and constraining costs.

Conclusions and implications

In this thesis, I have maintained that it is unlikely that the installation of ICT-based systems built upon modernist managerial assumptions alone, will deliver the public service performance improvements and efficiency savings mandated by central government. The findings add to the body of literature that argues that a better alternative to the current NPM reform path might involve the adoption of less technological and more systems-oriented approaches to business transformation. For example, the services might be improved by eliminating or reducing customer contacts that appear to be precipitated by earlier failures, such as failures to do things right first time, which cause additional and potentially avoidable demands to impinge upon public services. I call this phenomenon *potentially avoidable failure induced demand (PAFID)*.

Comparative analysis of the findings described in Chapter 5 of this thesis, which emerged from empirical research across three case-studies in UK local authority settings, confirmed that a substantial proportion (48%) of all the observed customer contact was potentially avoidable, and relatively little (16%) was resolved. Paradoxically, even less (9%) of the valuable contact was determined. The application of these proportions of PAFID to the contact volumes and unit costs associated with just one local council, Tameside metropolitan borough council, revealed the availability of

potentially substantial savings. In Tameside, PAFID could be costing more than £1 million a year. By implication, the potential savings available to the three case-study councils described in Chapter 5, and nearly 500 other local councils in the UK that administer high-volume transactional services involving extensive customer contact, could also be very substantial.

Another contribution of this thesis is the identification of some frequent causes of PAFID on which housing and council tax benefits services might focus attention in order to release efficiency savings. When respondents to semi-structured interviews were asked for further information about the common causes of PAFID, and this feedback was compared across the three case-studies, a high degree of consensus emerged. Problems such as inexperienced and inadequately trained staff, inconsistent and undocumented procedures, defective communication with customers, insufficient staffing resources, and over-reliance on unsatisfactory technologies afflicted all three sites.

The customer journey mapping exercise revealed previously unidentified failures in the form of internal delays and benefits claims left unresolved well beyond the point at which they could have been closed. The evidence suggests that an appropriate policy response in order to reduce PAFID and release significant savings might be to make improvements in the specific problem areas identified by this research. Alternately, councils might apply the methodology described here to investigate service areas other than housing and council tax benefits, and then address the issues that seem most relevant in terms of their local strategic objectives.

A variety of conceptual and theoretical lenses were applied to the PAFID instance identification in order to generate a coherent theoretical framework supporting alternative explanations and policy options. For example, a discussion about the difficulty that surrounded the meaning of concepts such as contact failure, value and avoidability (which are harder to define and measure than was previously appreciated) led to the hypothesis that a wholly customer-centric approach to the problem might be inappropriate. Such an approach defines the concept of the customer too narrowly, ignores the needs of other stakeholders, and overlooks the moral hazard risk that

customers might be culpable or their expectations unreasonable. Similarly, if unnecessary customer contact is perceived as only potentially avoidable, then the eradication of PAFID becomes an aspiration instead of an expectation. The policy response might be to focus resources on the incremental reduction of those activities that appear to be the most wasteful.

Agency theory was invoked to explain the problems that can be generated by the differing perspectives of various stakeholders involved in processes such as the evaluation of housing benefits claims. Policy options emerged from a discussion about divided interests and ways in which these might distort processes. For example, the findings suggest that councils might reverse recent trends toward specialisation within organisation units (such as front-line customer services agents and back-office benefits assessors) and reintegrate selected areas of their organisations, thus removing PAFID generated by factors such as internal demarcation and poor communication that might otherwise continue. Alternatively, at the other extreme, councils might increase the degree of separation between, for example, benefits assessors and customer services agents, to reduce the scope for claimants to disclose information selectively and renegotiate assessments that might otherwise result in unfavourable awards. The findings also demonstrate that individuals in organisations may find themselves acting as principals and agents simultaneously, the likelihood being that these inter-related conflicts of interest will be detrimental to customers and compound PAFID.

Further contributions to public sector management theory and practice were generated by an examination of PAFID that took into account the complexity of the housing and council tax benefits environment. For example, if the PAFID that afflicts these services is partly a measure of the inherent complexity of the benefits assessment process, such that experts are unlikely to agree about appropriate outcomes, then the problem may be only capable of reduction and not eradication. In this case, councils might still aspire to 'zero defects' through continuous improvement, as this is a clear message for the purposes of communicating the service vision, but remain pragmatic about the costs and benefits of solving isolated problems. Similarly, genuine and strongly-held differences of opinion about concepts such as contact cause and value, failure, and avoidability might lead councils to take more holistic, interactivist and consensus-based approaches

to problem resolution. The combination of ‘hard’ and ‘soft’ systems approaches to problem resolution described in Chapter 3 on pages 64-65, and Chapter 7 on pages 214-215, is called here the “smart systems approach”.

The findings confirmed that a modernistic over-reliance on technology was at the heart of some of the problems afflicting the case-study councils. For example, high volumes of computer-produced letters and notices were sent to customers. Everybody (management and staff) knew that these documents were deficient and generated a lot of unnecessary customer contact, but work-arounds (such as editing the letters by hand) were nevertheless not implemented. Similarly, hand-held computers and electronic claim forms were being promoted by management even though staff found them unreliable and less convenient to use than paper-based forms. The research suggests that much of the PAFID experienced by councils might be prevented by reverting to more simple, less technical solutions such as writing (or at least editing) letters and notices, and reverting to paper-based application forms.

As previously mentioned in this chapter, the findings suggest that councils might benefit from the adoption of a more systems-oriented approach to problem resolution. Lean thinking is identified as a systems methodology derived from the Toyota Production System and earlier management paradigms, which has penetrated central and local government via the healthcare sector and is growing in popularity. The evidence shows that, in spite of some previously unreported difficulties and disadvantages, Lean tools are capable of delivering ‘quick wins’, while the more comprehensive Lean approach seeks to bring about more fundamental changes. Full Lean thinking seeks to embed concepts such as waste reduction, defect prevention, customer focus, continuous improvement and organisational learning through collaborative working, non-hierarchical structures, self-motivation, respect for human dignity and putting performance before status. The policy options for councils therefore include both partial and full implementation of Lean thinking.

The case-study councils exhibited both strengths and weaknesses in the areas of innovation, knowledge management and organisational learning. Opportunities for improvement identified during the research included the diligent collection of data

about customers, and the integration of that data across systems to generate new insights. Staff wanted better arrangements for documenting and sharing technical information and office procedures. The work undertaken by housing and council tax benefits officers involves a complex mixture of judgement, problem-solving, and information exchange. It requires a supportive ‘enabling’ environment that fosters change, learning, collaboration and innovation. The thesis provides public sector examples of such environments from which local councils and other government agencies might learn: they include the IDeA’s online Communities of Practice, the DWP’s Jobcentre Plus and HMRC.

The findings provide support for the argument that the difficulties with PAFID explored in this research are most amenable to resolution in environments that acknowledge the subjective nature of real-world problems. Lean thinking appears to facilitate an interactivist approach to problem resolution while remaining “... a disciplined way of using the scientific process” (Professor Dan Jones, speaking at the Streamlining the Public Sector conference, The Institute of Physics, 9th March 2009). The research thus confirms that Lean thinking can provide the consistent approach to process innovation and the integrative approach to the management of PAFID that will be required if the service improvements and cost savings conjectured at the beginning of this dissertation are to be delivered. Indeed, there is some evidence that Lean thinking goes beyond process innovation and into paradigmatic innovation, which produces “... changes in the underlying mental models that frame what organisations do” (Tidd et al., 2005, 10).

A principal implication of the findings is that an approach to the prevention of PAFID that involves the deployment of full Lean thinking, with its emphasis upon waste reduction and continuous incremental improvement, could help local councils to significantly improve services and substantially reduce costs. This research focused on housing and council tax benefits services, and described congruencies between these activities and analogous services administered by nearly 500 other local councils throughout the United Kingdom. However, it is notable that local councils in the UK deliver other high-volume transactional services such as housing management, electoral registration, on-street and off-street parking, building and planning control, waste management and environmental health. An implication is that these services may also be affected by significant amounts of PAFID and could benefit from the process

innovations described above, which are an integral part of the Lean-oriented approach to the management of PAFID described in this thesis.

Based upon the foregoing analysis, the lessons drawn from the case-study sites and the suggested policy options presented in this thesis may also be relevant to other UK housing and council tax benefits services, and other public services that involve extensive customer contact.

Managers in the public sector will need new knowledge and skills in order to progress this work but, as Rothwell (1977, 203) points out “... most of the factors associated with success and failure in innovation are amenable to deliberate manipulation by technically progressive management”. Rothwell (1985, 218) also highlights the pluralistic nature of the explanations for success and failure in innovation management, which is “... not a matter of doing one or two things brilliantly, but of doing most things well and in a balanced and co-ordinated manner”.

The next section of this chapter describes recent developments affecting public finances, government technology and customer contact handling. The chapter concludes with suggested opportunities for further research and ‘third stream’ activities.

Recent developments

Financial crisis

In 2009, the severity with which the United Kingdom’s public finances have been affected by the financial crisis and steep global downturn is becoming apparent. In 2009/10, Total Managed Expenditure is expected to increase to £671 billion, up from an estimate of £582 billion in 2007/08, and a revised estimate of £620 billion for 2008/09 (HM Treasury, 2009a, 238). The public sector net borrowing requirement is projected to peak at 12.4% of GDP, or £175 billion in 2009/10. The reliance that central government continues to place upon the ‘improvement’ of public services, in spite of warnings from the National Audit Office (2007a) that only 26% of the savings claimed by central government departments are actually being delivered, is evident from the Budget Report. The chancellor of the exchequer has raised the Comprehensive Spending

Review money savings target from £30 billion to £35 billion for the three-year period ending 2010/11, and identifies £9 billion of additional efficiency savings by 2013/14 (HM Treasury, 2009a, 123).

Government technology

Examples of government ICT project failures and data security problems continue to emerge. In 2008, the National Audit Office (NAO) reported on failed plans to make the Department of Transport more efficient by centralising its human resources, payroll and financial services support functions (National Audit Office, 2008). The scheme, which depended upon a new IT system, was expected to cost £55 million and save £112 million over its lifetime to 2012. Instead, it will cost an estimated £121 million and save £40 million, resulting in a deficit of £81 million. In 2008, the Information Commissioner announced that the public sector had reported a further 176 data security breaches since the incident in which HMRC lost 25 million child benefit records in 2007 (Information Commissioner's Office, 2008).

In 2009, the NAO reported on delays and costs affecting the implementation of the Home Office's single offender management IT system (National Audit Office, 2009). The NAO concluded that the project was badly handled, and represented poor value for money. Inadequate oversight and weak supplier relations contributed to a doubling of programme costs, a three-year delay in programme roll-out, and reductions in project scope and benefits.

UK central government has developed a more secure Wide Area Network, but the strict information security requirements associated with gaining access to it (such as the requirement to encrypt all laptop computers and restrict the use of memory sticks) are inhibiting the development and roll-out of mobile technologies. Councils are obliged to adopt a formal Code of Connection (CoCo) in order to gain access to the Government Connect Secure Extranet (GCSx), which then enables more secure communication with central government departments and other public bodies. All this appears to reinforce the need identified early in this thesis for alternative, less technical, lower risk approaches to efficiency improvement – such as the eradication or reduction of PAFID.

Some of the improvements identified in the UK's Budget Report for 2009 are drawn from the final report of the Treasury's Operational Efficiency Programme. This makes explicit reference to projected savings from the deployment of "... continuous improvement tools such as Lean more systematically across the public sector" (HM Treasury, 2009b, 12). Central government appears to have realised that technology alone is not going to deliver the improvements and savings that it requires.

National Performance Indicator NI 14

After the empirical stages of the research detailed in this thesis were completed, central government introduced a new National Performance Indicator NI 14.⁷⁹ All UK local councils are required to measure, report and reduce the proportion of what central government calls "avoidable contact", which is defined as "customer contact that is of low or no value to the customer". Five categories of avoidable contact are specified: customers not understanding council communications; customers contacting the wrong service channels; customers providing duplicate information; customers progress chasing or reporting service failures; and contacts ended prematurely. It is immediately apparent that NI 14 represents a missed opportunity in terms of public service improvement and cost reduction. For example, the narrow customer-centric definition of avoidable contact is inadequate for the reasons detailed earlier in this thesis (it overlooks the legitimate needs of other stakeholders). The subjective nature of concepts such as value and avoidability is not addressed, so that the emerging data is likely to be inconsistent. Consequently, there will be disagreement within and between councils about appropriate policy responses.

The categories of avoidable contact specified by central government for the purposes of NI 14 are insufficiently detailed to enable councils to identify and tackle underlying problems. One of the most common causes of potentially avoidable contact (customers not providing information and evidence at the right time) is entirely omitted. Two of the most significant causes of potentially avoidable contact – progress chasing and reporting service failures – are conflated, and the actual reasons for the failures are not captured.

⁷⁹ See 'Reducing avoidable contact: a guide to NI 14' available online at <http://www.idea.gov.uk/idk/core/page.do?pageId=8507853> accessed 25/10/08.

Further research and ‘third stream’ activities

The following additional work could usefully be undertaken to improve our understanding of PAFID and stimulate new policy options for its eradication or reduction:

- Action-oriented research into the effects (on the incidence of PAFID) of simplifying the administration of the UK’s housing and council tax benefits scheme – the expectation being that some simplifications will so reduce PAFID that the savings far outweigh any associated costs
- Action-oriented research into the effects (on the incidence of PAFID) of interventions to alter principal-agent relationships between managers, staff and customers in UK public sector services – the expectation being that the incidence of PAFID will vary significantly according to the relationships between key stakeholders
- Case-study research to investigate and understand the PAFID affecting UK central government departments such as the DWP, HMRC, HMCS and the Child Support Agency – the expectation being that high levels of PAFID, low levels of contact resolution and new potential remedies will be revealed
- Comparative case-study research into the incidence of PAFID in high-volume transactional services administered by different tiers of UK local government (county, borough, town, parish, etc.) – the expectation being that the levels of PAFID will vary between tiers in ways that supplement our understanding of the phenomenon
- Action-oriented research into the effects of Lean thinking on the incidence of PAFID – the expectation being that PAFID will vary (reduce) significantly over time with indicators of increasing penetration of Lean approaches
- Quantitative and qualitative research into customer perceptions and expectations regarding PAFID – the anticipation being that different customers will have different perceptions and expectations in different places at different times, prompting an even more nuanced approach to problem resolution

- Quantitative and qualitative research to investigate the incidence of PAFID affecting electronic service delivery in the UK public sector – the expectation being that the increasing deployment of web-based services will generate new problems requiring new solutions
- Case-study research to investigate and understand the inter-relationships between PAFID and organisational culture – the expectation being that the incidence of PAFID will vary (reduce) significantly with indicators of strong organisational culture
- Case-study research into the incidence of PAFID affecting public sector services in countries other than the UK – the expectation being that high levels of PAFID will be discovered in some service areas, providing opportunities for significant improvements and savings through the eradication or reduction of the phenomenon
- Case-study research into the incidence of PAFID affecting high-volume transaction services in other sectors of the economy – the expectation being that high levels of PAFID will be discovered elsewhere, providing opportunities for significant improvements and savings through the eradication or reduction of the phenomenon
- Qualitative and quantitative research into methods of diagnosing and mitigating the problems introduced by central government's performance indicator NI 14 – because it is widely maintained throughout UK local government that the mandated arrangements for measuring and reporting NI 14 (described above) will be laborious and ineffective.

The work described in this thesis has resulted in the development of a conceptual framework, research methodology and research tools that could be transformed into support mechanisms and toolkits that would facilitate the identification and reduction of PAFID in a variety of organisational settings. Third stream activities of this nature are supported and encouraged by the UK government as a component of academic entrepreneurialism (HM Treasury, 2003, 43-46).

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ANNEX 1: ENGLISH LOCAL AUTHORITIES BY TYPE

COUNTY		DISTRICT	
Bedfordshire	Hounslow	Adur	Crawley
Buckinghamshire	Islington	Allerdale	Crewe and Nantwich
Cambridgeshire	Kensington and Chelsea	Alnwick	Dacorum
Cheshire	Kingston upon Thames	Amber Valley	Dartford
Cornwall	Lambeth	Arun	Daventry
Cumbria	Lewisham	Ashfield	Derbyshire Dales
Derbyshire	Merton	Ashford	Derwentside
Devon	Newham	Aylesbury Vale	Dover
Dorset	Redbridge	Babergh	Durham City
Durham	Richmond upon Thames	Barrow-in-Furness	Easington
East Sussex	Southwark	Basildon	East Cambridgeshire
Essex	Sutton	Basingstoke and Deane	East Devon
Gloucestershire	Tower Hamlets	Bassetlaw	East Dorset
Hampshire	Waltham Forest	Bedford	East Hampshire
Hertfordshire	Wandsworth	Berwick-upon-Tweed	East Hertfordshire
Kent	Westminster City	Blaby	East Lindsey
Lancashire		Blyth Valley	East Northamptonshire
Leicestershire	METROPOLITAN	Bolsover	East Staffordshire
Lincolnshire	Barnsley	Boston	Eastbourne
Norfolk	Birmingham City	Braintree	Eastleigh
North Yorkshire	Bolton	Breckland	Eden
Northamptonshire	Bradford City	Brentwood	Ellesmere Port and Neston
Northumberland	Bury	Bridgnorth	Elmbridge
Nottinghamshire	Calderdale	Broadland	Epping Forest
Oxfordshire	Coventry City	Bromsgrove	Epsom and Ewell
Shropshire	Doncaster	Broxbourne	Erewash
Somerset	Dudley	Broxtowe	Exeter City
Staffordshire	Gateshead	Burnley	Fareham
Suffolk	Kirklees	Cambridge City	Fenland
Surrey	Knowsley	Cannock Chase	Forest Health
Warwickshire	Leeds City	Canterbury City	Forest of Dean
West Sussex	Liverpool City	Caradon	Fylde
Wiltshire	Manchester City	Carlisle City	Gedling
Worcestershire	Newcastle upon Tyne	Carrick	Gloucester City
LONDON	North Tyneside	Castle Morpeth	Gosport
Barking and Dagenham	Oldham	Castle Point	Gravesham
Barnet	Rochdale	Charnwood	Great Yarmouth
Bexley	Rotherham	Chelmsford	Guildford
Brent	Salford City	Cheltenham	Hambleton
Bromley	Sandwell	Cherwell	Harborough
Camden	Sefton	Chester City	Harlow
Corporation of London	Sheffield City	Chesterfield	Harrogate
Croydon	Solihull	Chester-le-Street	Hart
Ealing	South Tyneside	Chichester	Hastings
Enfield	St Helens	Chiltern	Havant
Greenwich	Stockport	Chorley	Hertsmere
Hackney	Sunderland	Christchurch	High Peak
Hammersmith & Fulham	Tameside	Colchester	Hinckley and Bosworth
Haringey	Trafford	Congleton	Horsham
Harrow	Wakefield, City of	Copeland	Huntingdonshire
Havering	Walsall	Corby	Hyndburn
Hillingdon	Wigan	Cotswold	Ipswich
	Wirral	Craven	Kennet
	Wolverhampton		Kerrier

Source: Municipal Year Book 2005

ANNEX 1 (continued)

Kettering	Rushcliffe	Vale Royal	Peterborough City
King's Lynn and West Norfolk	Rushmoor	Wansbeck	Plymouth City
Lancaster City	Ryedale	Warwick	Poole
Lewes	Salisbury	Watford	Portsmouth City
Lichfield	Scarborough	Waveney	Reading
Lincoln City	Sedgefield	Waverley	Redcar and Cleveland
Macclesfield	Sedgemoor	Wealden	Rutland
Maidstone	Selby	Wear Valley	Slough
Maldon	Sevenoaks	Wellingborough	South Gloucestershire
Malvern Hills	Shepway	Welwyn Hatfield	Southampton City
Mansfield	Shrewsbury and Atcham	West Devon	Southend-on-Sea
Melton	South Bedfordshire	West Dorset	Stockton-on-Tees
Mendip	South Bucks	West Lancashire	Stoke-on-Trent City
Mid Bedfordshire	South Cambridgeshire	West Lindsey	Swindon
Mid Devon	South Derbyshire	West Oxfordshire	Telford and Wrekin
Mid Suffolk	South Hams	West Somerset	Thurrock
Mid Sussex	South Holland	West Wiltshire	Torbay
Mole Valley	South Kesteven	Weymouth and Portland	Warrington
New Forest	South Lakeland	Winchester City	West Berkshire
Newark and Sherwood	South Norfolk	Woking	Windsor and Maidenhead
Newcastle-under-Lyme	South	Worcester City	Wokingham
North Cornwall	Northamptonshire	Worthing	York City
North Devon	South Oxfordshire	Wychavon	
North Dorset	South Ribble	Wycombe	
North East Derbyshire	South Shropshire	Wyre	
North Hertfordshire	South Somerset	Wyre Forest	
North Kesteven	South Staffordshire		
North Norfolk	Spelthorne	UNITARY	
North Shropshire	St Albans City	Bath and North	
North Warwickshire	St Edmundsbury	East Somerset	
North West	Stafford	Blackburn with Darwen	
Leicestershire	Staffordshire	Blackpool	
North Wiltshire	Moorlands	Bournemouth	
Northampton	Stevenage	Bracknell Forest	
Norwich City	Stratford-on-Avon	Brighton and Hove	
Nuneaton and	Stroud	Bristol City	
Bedworth	Suffolk Coastal	Darlington	
Oadby and Wigston	Surrey Heath	Derby City	
Oswestry	Swale	East Riding of Yorkshire	
Oxford City	Tamworth	Halton	
Pendle	Tandridge	Hartlepool	
Penwith	Taunton Deane	Herefordshire	
Preston	Teesdale	Isle of Wight	
Purbeck	Teignbridge	Kingston upon Hull City	
Redditch	Tendring	Leicester City	
Reigate and Banstead	Test Valley	Luton	
Restormel	Tewkesbury	Medway	
Ribble Valley	Thanet	Middlesbrough	
Richmondshire	Three Rivers	Milton Keynes	
Rochford	Tonbridge and Malling	North East Lincolnshire	
Rossendale	Torridge	North Lincolnshire	
Rother	Tunbridge Wells	North Somerset	
Rugby	Tynedale	Nottingham City	
Runnymede	Uttlesford		
	Vale of White Horse		

ANNEX 2: PILOT STUDY TRIAL DATA COLLECTION SHEET

PART A

Contact channel:	Service Area: Housing & council tax benefits
Researcher:	Date:

PART B

Row	1 Contact Identifier	2 Description	3 Valuable	4 Potentially Avoidable Failure	5 Off Remit	6 Resolution
1	Claim No.					One Stop Returned Service Request Passed Over
2	Claim No.					One Stop Returned Service Request Passed Over
3	Claim No.					One Stop Returned Service Request Passed Over

Part C – Notes:

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ANNEX 2 (CONTINUED)**Part D – Pilot Guidance Notes:**

1. The service has agreed that its purpose is “to make prompt payment of correct housing and council tax benefits to qualifying applicants”.
2. The overall purpose of the research is to identify, describe and categorise any potentially avoidable contact, which is defined as customer contacts that appear to be precipitated by earlier failures, such as failures to do things right first time, which cause additional and potentially avoidable demands to impinge upon public services.
3. The information required concerns the purpose of the customer contact and how it was resolved – information will not be collected about the performance of the customer services advisors.
4. Agreed examples of work that is valuable to claimants and other key stakeholders include:
 - Providing claim forms and simultaneous information and advice (excluding follow-up enquiries made by customers)
 - Receiving and processing pre-tenancy determinations, claims and changes of circumstances (if the documentation/information is incomplete, the follow-up work will count as non-value demand)
 - Notifying awards, changes to awards, rights and responsibilities (excluding follow-up enquiries/complaints made by customers)
 - Making payments (excluding changes to payment methods)
 - Receiving written appeals and backdating requests (a new indicator will appear on the template for all other appeal and overpayment related contacts)
5. Agreed examples of potentially avoidable contact (that might have been prevented) include:
 - Submission of evidence on its own
 - Customers asking about progress
 - Customers seeking explanations or making complaints
 - Enquiries arising as a result of our error or omission
 - Duplication (customer being asked to do the same thing more than once)
6. The researcher will:
 - Complete Part A on every data collection sheet before the session starts
 - Complete a separate row in Part B for each customer contact:
 - ✓ Column 1 – enter the claim number allocated by the housing benefits or document management systems.
 - ✓ Column 2 – describe the purpose of the customer contact so that other people can assess whether it was valuable or potentially avoidable contact, one stop, returned, service request or passed to the back office
 - ✓ Columns 3, 4 & 5 – tick one of these boxes to signify that the contact constituted value or potentially avoidable contact, or adjudication
 - ✓ Column 6 – circle one of the alternative outcomes, which are:
 - ❖ One Stop (resolved at first point of contact)
 - ❖ Returned (passed back for customer to take action)
 - ❖ Service Request (one stop but service request registered)
 - ❖ Passed Over (handed off to the back office)
 - Complete Part C explaining any exceptional circumstances that affected the monitoring exercise (such as interruptions, mail-outs, and technical problems) and recording any qualitative information volunteered by agents).

ANNEX 3: PILOT STUDY TRIAL QUESTIONNAIRE PROTOCOL

<i>Name of interviewee:</i>	<i>Name of interviewer:</i>
<i>Job title of interviewee:</i>	<i>Location of interview:</i>
<i>Date and time of interview:</i>	<i>Approximate duration of interview:</i>

BRIEF EXPLANATION OF RESEARCH:

Recently, some customer enquiries about housing and council tax benefits were monitored to find out what caused them, which of them were valuable to the organisation and how they were resolved. The outcome of this pilot work was that a high proportion of the contacts appeared to have been avoidable (caused by failures that might have been prevented) and few of them were resolved on first contact. Most of the potentially avoidable enquiries seemed to be triggered by customers providing supporting documentation (for claims and changes of circumstances) that should have been produced earlier, or by customers seeking further clarification about documentation that the council had asked them to produce. Some claimants appeared to make several such contacts before the paperwork was sufficiently complete for the assessment of their claims to proceed.

The purpose of these interviews is to find out what key people like you think about the situation, why it is happening and what you think should be done about it. It is likely that you have information that can contribute to our understanding. If it is correct that so many customer enquiries are potentially avoidable, this research could ultimately make the lives of council staff easier by reducing their workload.

I need to record these interviews so that I can include your contributions in the overall findings, but nothing you say will be attributed to you personally.

ANNEX 3 (CONTINUED)

- Q1. Please give your name and post title, then describe the work that you do.*
- Q2. How do you feel about the assertion that there are high levels of potentially avoidable customer enquiries and low levels of resolution on first contact? Does this seem like a reasonable assessment of what really happens to housing and council tax benefits enquiries? [If necessary ask "How would you have expected the results to be different?"]*
- Q3. Do you think it matters? [If necessary ask "Is it important, if not why not, who does it affect, what does it mean for them?"]*
- Q4. What do you think explains the situation? Why is it happening? [If necessary, ask for specific examples from the interviewee's experience. For instance, is the service consistent in what it asks for, is everybody trained to an adequate standard?]*
- Q5. What do you think should be done about it? [If necessary, ask for specific examples. For instance, should customer services staff be able assess H&CTB claims?]*
- Q6. What do you think would be the effect of these changes? [If necessary, ask for specific costs and benefits. For instance, how would the changes affect working practices and how might staff react?]*
- Q7. What if anything has been done in the last two or three years to address this problem and what were the outcomes? [If necessary, ask for specific examples. For instance, how has the creation of a pre-assessment team affected the situation?]*
- Q8. Please describe any other service improvement initiatives that you have been involved with during the past two or three years. [If necessary ask "What was done, how and when? What were the outcomes? What were the costs and benefits?"]*
- Q9. What does the term Lean thinking mean to you?*
- Q10. Lean thinking is a management approach that emphasises things such as team-working, waste reduction, getting it right first time, continuous improvement and organisational learning. If we wanted to use these approaches in [name of council] to tackle problems with potentially avoidable contact and contact resolution, what do you think that management would have to do to maximise the chances of a successful improvement program?*
- Q11. Have I left out any important issues with regard to customer contact and the ways in which it might be improved?*

ANNEX 4: EXTRACT FROM INTERVIEW TRANSCRIPT

Kevin Masters interviewing Lee Kirk and Julie Gleeson

2 p.m. Monday 8th March 2004

Kingston Communications, Prospect House, Prospect Street, Kingston upon Hull.

Key and Conventions (based on Schenkein, 1978, xi – xvi):

K	= The Author
L	= L. Kirk
J	= J. Gleeson
...	= utterance being reported in part
(...)	= utterance left incomplete by the speaker
L.	= short pause within an utterance
(0.0)	= interval between utterances, measured in seconds
=	= contiguous utterances, where there is no interval between them
()	= transcriptionist doubt
[]	= overlapping utterance by the author (unless otherwise indicated)
(())	= other phenomena (described within the double brackets)
Emphasis	= <i>italics</i> , <i>the larger the italics</i> , <i>THE GREATER THE EMPHASIS</i>
?	= rising inflection, not necessarily a question
{ }	= audible aspiration, such as {pff}
[[]]	= clarification or explanation of narrative by author during analysis
[[...]]	= omission of one or more words by author during analysis

Introduction

The voice recorder was started some 2 or 3 minutes after the interview began. During that time, the author explained that XYZ borough council had committed itself to the implementation of a contact centre and Customer Relationship Management (CRM) system by December 2005. The author had been sponsored by the council to do a business research project at Hull University and had elected to help the council secure the potential advantages and avoid the potential disadvantages of contact centre and CRM systems.

The author made the following opening remarks:

“I have some questions I want to ask you. It doesn’t matter what order we take them in and there are no right or wrong answers. I am simply interested in your experiences, so please just respond in your own words. I would like to record our conversation so that I can produce a transcript, the contents of which I will agree with you. I would also like to take some brief notes of any points that seem worth following up later in the conversation. Can I start by asking you about your respective roles, about what you each do here?”

ANNEX 4 (CONTINUED)

<p>L. ...we don't do that. Some days they were answering about 40% of the calls, on a, on a particularly bad day. On a good day [40%?] they were answering about 60% [yes] which wasn't bad, lot better than a lot of areas. But it still wasn't brilliant [hmm] so what they did was, myself and then there was a team of eight [hmm] actually took waste management calls, that's all [right] and it was a case of, we had an Oracle (CRM) system brought in by the council.</p> <p>L. I infer from what you're saying that Lee wasn't involved at the time?</p> <p>L. No, I came in was it 2002 – I think it was, wasn't it? Yes, November 2002 I came in [yes]. So we were just going live with the other implemented services. So we'd just finished, 2001, November 2001, so we'd just finished the pilot on cleansing and other street services, we'd just gone live with that when I came on board.</p> <p>L. And you're based in the Guildhall, so your responsibilities are obviously wider than just the Contact Centre?</p> <p>L. Um – really no – um – my – my primary role, as I say, as Development Manager is to ensure the council running of the call centre. The contract that is in place between the council and KC, my role is to is to make sure that Julie and her team deliver what we would expect as the council. And also to liaise with the service areas that the call centre is delivering for, so er the issues that come out of there I raise with Julie.</p> <p>L. That's interesting, so you're responsible for the relationship with the departments?</p> <p>L. Yes.</p> <p>L. Yes and no. We rely a lot on the council side through myself.</p>	
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ANNEX 5: REVISED DATA COLLECTION SHEET**PART A: COMPLETE AT START OF SESSION****SHEET No:**

SERVICE:	CHANNEL:
MONITORED BY:	DATE:

PART B: ENTER CAUSE, VALUE, AVOIDABILITY AND RESOLUTION (ONE ROW FOR EACH ENQUIRY) DURING OR IMMEDIATELY AFTER CONTACT.

ROW	CAUSE OF CONTACT	VALUE AND AVOIDABILITY	RESOLUTION
01			
02			
03			

NOTES ABOUT SYSTEMIC FAILURES SUCH AS TECHNOLOGICAL PROBLEMS:

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ANNEX 5 (CONTINUED)**CONTACT CAUSE, VALUE, AVOIDABILITY AND RESOLUTION
GUIDANCE NOTES ON COMPLETION OF DATA COLLECTION SHEET**

The purpose of the service is “to pay the right money to the right person at the right time”. The purpose of the survey is to identify, describe and categorise customer contacts according to cause, value, avoidability and first time resolution.

CAUSE OF CONTACT

The cause of each customer contact will be recorded as it takes place, for example:

- Customer advised about a change of circumstances affecting an existing claim
- Customer asked for an application form to make a new claim for housing and council tax benefits
- Customer provided documentary evidence in support of an outstanding claim for housing benefits
- Customer submitted an appeal against an award of housing and council tax benefits

The customers’ details will not be recorded as this may contravene data protection principles.

VALUE OF THE CONTACT TO CUSTOMERS AND OTHER KEY STAKEHOLDERS

High value work includes:

- Providing claim forms
- Helping customers to make claims
- Receiving, checking and processing new claims and changes of circumstances
- Dealing with customers responding to the council’s requests for information and evidence
- Providing trial calculations
- Dealing with changes to methods of payment and bank details
- Responding to landlords’ enquiries

Low value work includes:

- Contacts associated with discretionary housing payments
- Contacts associated with appeals and back-dating requests
- Overpayments, fraud prevention and detection

Potentially avoidable customer contact (precipitated by earlier failures that might have been prevented) includes:

- Information and evidence presented by claimants after the original application
- Customers progress chasing outstanding decisions
- Claimants requiring clarification of letters, notices and awards
- Claimants enquiring about payments made and payments due
- Complaints
- Duplication (customer being asked to do the same thing more than once)
- Mis-dials, hoaxes and wrong numbers

Off remit contacts include:

- Council tax billing, collection and recovery
- Housing advice and tenancy enquiries

Unclassified contacts include:

- Contacts that cannot be allocated to high or low value work, potentially avoidable or off-remit contacts

RESOLUTION ON FIRST CONTACT

- One stop = customer agrees resolved on first contact
- Repeat = repeat contact on same issue but customer agrees now resolved
- Passed back = customer to take further action
- Passed on = council to take further action

ANNEX 6: REVISED QUESTIONNAIRE PROTOCOL

Name of interviewee:	Name of interviewer:
Job title of interviewee:	Location of interview:
Date and time of interview:	Approximate duration of interview:

BRIEF EXPLANATION OF RESEARCH:

There is anecdotal evidence that a high proportion of the customer enquiries received by public services such as housing and council tax benefits are unnecessary and potentially preventable. It appears that these services also achieve low levels of resolution on first contact. If true, this aspect of the business presents very substantial opportunities for service improvement and cost reduction. Many of these apparently unnecessary enquiries seemed to be caused by customers asking about outstanding claims and the suspension of existing awards. People are providing information and evidence that should have been produced with the original claim, or seeking clarification about documents that they had been asked to produce. Some customers end up making multiple contacts before their claims are ready for assessment.

The purpose of these interviews is to find out what key people like you think about the situation, why it is happening and what you think should be done about it. **If it is correct that so many customer enquiries are unnecessary and potentially preventable, this research may help to make our lives easier by reducing the workload.**

As I explained in my message last week, I will provide you with a transcript of our discussion and nothing you say will be attributable to you personally.

Q1. Let's begin by clarifying your name and your post title. Then I will be grateful if you will explain how you fit into the organisation and what you do.

Q2. How do you feel about the assertion that [council XYZ's] housing and council tax benefits service has high levels of potentially preventable customer enquiries and low levels of resolution on first contact – to what extent does this correspond with your perception of what is happening? [If necessary ask "How would you have expected the results to be different?"]

Q3. Do you think it matters and if so, why? [If necessary ask "Is it important, if not why not, who does it affect and how does it affect them?"]

ANNEX 6 (CONTINUED)

- Q4. What do you think explains the situation, why is it happening?** [Ask for specific examples from the interviewee's experience. For instance, are we consistent in what we ask for, is everybody trained to an adequate standard?]

- Q5. What do you think the council should do about it?** [Ask for specific examples. For instance, should the council be making more or less use of translation services?]

- Q6. What would be the effect of the changes that you suggest?** [Ask for specific costs and benefits. For instance, how would the changes affect working practices and how would the staff respond?]

- Q7. What has been done in the last two or three years to improve contact handling and what have been the outcomes?** [Ask for specific examples. How has moving assessment staff into the front line affected the situation?]

- Q8. Please describe any other initiatives that you have been involved with during the past two or three years, that were intended to improve performance and reduce costs.** [Ask what was done, how was it done, when was it done, what were the outcomes?"]

[To what extent did these initiatives constitute Lean thinking, which is about putting the customer first, team-working, preventing waste, getting it right first time, enhancing value, creating fast flexible flowing human actions, continuous improvement and shared decision-making? Related techniques include root cause analysis, visual control, mistake-proofing, business process reengineering, process standardisation, multi-skilled working and knowledge management]

- Q10. If management wanted to further improve performance and reduce costs (in the area of customer contact handling) what would they have to do to ensure the project was successful and staff were fully committed to it?**

- Q11. Have I left out any important issues with regard to customer contact handling and the ways in which it might be improved?**

ANNEX 7: SEQUENTIAL ANALYSIS STAGE 3

Council A

Examples of failure (what happened and why)	Prevention (how it can be avoided)
<p><i>Communication:</i></p> <p>Referring to computer-produced letters that ask claimants to produce outstanding information and evidence, Interviewee A said: “the logging letter is the reason why most people call back, because they are having trouble understanding what is coming from us to them”. Interviewee F elaborated on this point by explaining that there are inconsistencies when requesting information because “customers get confused when they get a letter from the enquiry counter staff followed by another letter from the pre-assessment team”. Interviewee K said that incorrect information was often requested and that claimants were sometimes being “asked the impossible”. Interviewee M pointed out that the number of properly completed benefit application forms received in a typical week was very small “just two or three”.</p> <p>Interviewee B highlighted the absence of staff guidance notes and standard procedures but also said that “differing procedures between the two offices [[customer services front office and housing benefits back office]] get in the way”. Interviewee C reinforced the point by maintaining that “we’re all one department but we’re working separately”. Interviewees C, I and F used the same metaphor to describe two sections “not singing from the same hymn sheet”.</p>	<p><i>Communication:</i></p> <p>Interviewee H emphasised the importance of customer visits to the public enquiry counter, which are key opportunities to communicate directly. The same respondent pointed out that communication via the telephone would be more productive than correspondence. Interviewee M said that a lot of the information that customers were asked to supply was unnecessary and that many contacts could be avoided by applying a degree of leniency because “we shouldn’t be making them [[claimants]] jump through hoops”. Interviewee I was concerned that too much standardisation [[of the content of logging letters]] might be counter-productive, while Interviewee A recommended the council’s overpayment invoices as examples of best practice in graphical communication. Interviewee A also maintained that the logging reminder letter that others had complained about could in fact be edited. The problem was that this would be a time-consuming exercise for the benefit assessors.</p> <p>Interviewee M said that staff from different sections needed to “talk to each other more because everybody has good ideas and sharing them could make things more streamlined”. There was a need to change the “them and us” mentality that affected the front line and back office. The corporate contact centre and public enquiry counter should be co-located. Team meetings were valuable but needed to be more structured.</p>

ANNEX 7 (CONTINUED)**Council A**

Examples of failure (what happened and why)	Prevention (how it can be avoided)
<p><i>Contact Value:</i></p> <p>Interviewee B said there were legitimate reasons why claimants might have to make repeated contact with the council. They might need to contact another government department and sometimes “they have to go away and speak to somebody else to get information”. Interviewee I maintained that that some of the potentially avoidable contact was due to the complex nature of the benefits scheme and that “no matter how well we put across our documentation there are always going to be people who don’t understand”.</p>	<p><i>Contact Value:</i></p> <p>Interviewee F said that some delays were unavoidable and attributable to third parties such as the Department for Work and Pensions and HM Revenues and Customs. Interviewee B explained that some repeat contact was necessary because the process was unavoidably complicated. “It is in the nature of housing benefits that there’s a lot of information to get in” (Interviewee J).</p>
<p><i>Business Processes:</i></p> <p>Interviewee B described the pressures associated with varied and heavy workloads in the back office. These caused the staff to get agitated by requests for help from the front-line staff and might explain why they didn’t appear to give adequate consideration to their actions or to realise that the computer would do things (such as recalculating council tax instalments) in ways that were likely to upset customers.</p>	<p><i>Business Processes:</i></p> <p>Interviewee B urged the organisation to look for the simplest and most effective way of dealing with things instead of trying to over-complicate them. For example, a simple complement slip could be enclosed to explain computer-produced letters or the staff could “simply put a note [[on the letters]] at the bottom of the page”. The same respondent suggested that it would help to improve the service “if somebody from council tax simply came up and sat with us [[in the contact centre]]”. Interviewee H made a similar point, that “[[putting back-office specialists on the front line]] would help by speeding up the process and getting information”.</p>

ANNEX 7 (CONTINUED)**Council A**

Examples of failure (what happened and why)	Prevention (how it can be avoided)
<p><i>Quality:</i></p> <p>Interviewee C liked “the idea of a pre-assessment team keeping an eye on things” while Interviewee H appeared critical of the fact that “we’re having to check what the counter [[staff]] have asked for, because there may still be stuff [[information and evidence]] missing”.</p>	<p><i>Quality:</i></p> <p>Interviewee H emphasised the need to gather information correctly and said that “they [[the customer services staff]] really just need to go through it [[the documentation]] and make sure it’s all there before they tell them [[the customers]] that they [[the claim forms]] are or are not complete”.</p>
<p><i>Contact Resolution:</i></p> <p>Interviewee B was clear that customers were calling back because their enquiries were not being resolved on first contact. Interviewee M said “we’re having to write out once, twice, maybe three times for information – we’ve had several letters [[from customers]] complaining that “I have written to you three times” or “I have phoned you twice and still my problems haven’t been resolved”. On the other hand, Interviewee A agreed that there were a lot of repeat calls but maintained that “it is inevitable with things like providing proof of [[entitlement to]] housing benefits, because it is quite complicated” and “less of a one-stop thing”.</p>	<p><i>Contact Resolution:</i></p> <p>Interviewee B stressed the importance of making sure that “all the information is taken at the first attempt” by dealing with any potential problems as they arise. Interviewee J emphasised the need to both get and give the right information while the customer is present at the public enquiry counter. The earliest possible involvement of experienced assessors was considered to be a key success factor (Interviewee J) and the relocation of council tax payers from one address to another appeared to be a model of best practice (Interviewee A).</p>

ANNEX 7 (CONTINUED)

Council A

Examples of failure (what happened and why)	Prevention (how it can be avoided)
<p><i>Attitudes:</i></p> <p>Interviewee I pointed out that “some people [[staff]] are uncomfortable in a customer service environment”. Interviewee C said that “they [[the back-office housing and council tax benefits assessors]] are too hard-headed, rigid and inflexible” which was unnecessary and caused delays. Interviewee M reinforced this perception by commenting that “if they [[the assessors]] are asking for that information then that is the information that is needed”. It was conceded that external agencies such as the high street banks were not helpful people either (Interviewee C).</p>	<p><i>Attitudes:</i></p> <p>Interviewee H explained that dealing with customers on the front line would not appeal to everybody and that it was necessary to check during the recruitment process that job applicants were happy to do this sort of work.</p>
<p><i>Knowledge:</i></p> <p>Interviewee C explained that the level of expertise in the customer services section was “dwindling” and this resulted in a lot of call-backs. The inadequacy of staff guidance was highlighted (Interviewee E) while Interviewee F asserted that staff were concerned because they were not fully trained “due to the training officer being involved in other important projects”. It was said that more staff, better training and more comfortable surroundings would help the section to retain experienced staff (Interviewee F).</p>	<p><i>Knowledge:</i></p> <p>Interviewee K stressed the need for cross-training because “it would be good for people [[staff]] on the counter to see how a claim is assessed” and “it would be good for the assessors to see what it’s like on the [[public enquiry]] counter”. Interviewee C said that additional revenues and benefits training would “stop an awful lot of calls going through to the back office” and improve resolution on first contact because “85% of what they do is revenues and benefits”. Interviewee M wanted “training, training and more training” together with a dedicated training officer who can provide consistence advice for front and back-office staff. The same respondent highlighted the potential benefits of simple solutions such as laminated desk aids.</p>

ANNEX 7 (CONTINUED)**Council A**

Examples of failure (what happened and why)	Prevention (how it can be avoided)
<p><i>Resources:</i></p> <p>Four interviewees referred to lack of staffing resources in the customer services section. Interviewee B pointed to “a problem with the public enquiry counter because there are not enough staff to cover it” and expressed concern about the recent loss of more experienced staff. Interviewee C said “there are so few people here” and explained the difficulties associated with covering the roster with people who had adequate knowledge. Interviewee K highlighted difficulties with the document management system because of recruitment and retention problems in the administration section. Several interviewees emphasised the apparent incongruity of having sufficient pre-assessment staff but too few assessors and customer services advisors (Interviewees K and F).</p>	<p><i>Resources:</i></p> <p>Interviewee B highlighted the need for customer services staff to receive more training on the housing and council tax benefits scheme, as this would “stop some of the call-backs”. The same respondent wanted more benefits assessors instead of pre-assessors. Interviewee E also said that the customer services staff required more training and should be supported by “benefit assessors on the front line”.</p>
<p><i>Targets:</i></p> <p>It emerged that the customer services staff felt pressured to do things quickly and that this resulted in errors or “things not being completed properly” that caused customers to phone back again later (Interviewee B). The 30 seconds speed of response target exacerbated this problem (Interviewee B).</p>	<p><i>Targets:</i></p> <p>Interviewee B said that front-line staff dealing with customers should be encouraged to take their time and identify things that were about to go wrong, because this would reduce the need for customers to make additional contacts in the foreseeable future.</p>

ANNEX 7 (CONTINUED)**Council A**

Examples of failure (what happened and why)	Prevention (how it can be avoided)
<p><i>Information Technology:</i></p> <p>The respondents had relatively little to say (either positive or negative) about the role of technology but Interviewee I pointed out the dangers associated with introducing technology without first reviewing existing systems, which could result in the integration of existing problems. However, the difficulty with logging letters highlighted above (and said by Interviewee A to be the principal cause of PAFID) does appear to be attributable to deficiencies in the revenues and benefits software application.</p>	<p><i>Information Technology:</i></p> <p>Interviewee K was impressed with the new mobile technology (such as hand-held computers and digital cameras) that was becoming available, which would enable claims to be dealt with more efficiently. Interviewee I cautioned that it was important to understand what technology could do for you and adapt working procedures accordingly.</p>

ANNEX 7 (CONTINUED)**Council B**

Examples of failure (what happened and why)	Prevention (how it can be avoided)
<p><i>Communication:</i></p> <p>Assessment officers C and E, and manager D all highlighted the problem of communicating with an ethnically diverse population. English was rarely the customers' first language and they didn't understand the system-produced letters. Overpayment letters generated by Pericles [[the Revenues and Benefits computer application]] were especially problematical; even the staff did not understand them. Customers frequently queried benefit suspension letters and this indicated that officers were not complying with the instruction to communicate via the telephone.</p> <p>Assessment officer F also said that a lot of the information that customers were given was wrong, for example, they were asked to supply details they had already provided and different officers demanded different standards of evidence, leaving customers unsure about what was required.</p> <p>Assessment officer C said that staff were not told about problems with the Pericles system (e.g. delays in issuing replacement cheques) as a consequence of which customers were given false information that led to unnecessary contacts.</p>	<p><i>Communication:</i></p> <p>Managers A, B and D and assessment officers C, E and F all said that fresh efforts should be made to promote the direct approach to contact resolution (i.e. using the telephone and meeting customers face-to-face). Officers should be discouraged from writing out unnecessarily and from sending out letters without first telephoning to explain decisions, but they should be encouraged to agree with customers when they would call back or visit, so that the same officers could deal with claims end-to-end.</p> <p>Assessment officer F suggested additional coaching for the staff who sent out the most letters, as they could be using the telephone and home visits would give them a better appreciation of the circumstances endured by claimants. Employing telephone operators would enable benefit officers to get on with assessments.</p> <p>Manager G emphasised the need to process claims on time and suggested pre-empting progress chasing calls by being proactive and providing reassurance to customers that claims were being dealt with.</p>

ANNEX 7 (CONTINUED) Council B

Examples of failure (what happened and why)	Prevention (how it can be avoided)
<p><i>Business Processes:</i></p> <p>Manager B identified a potential conflict between the demands of end-to-end working and the need to respond to customer demand. Manager D made a similar point, explaining that there were tensions between customer waiting times and contact resolution. In the local service centres, managers avoided unexpected queues by discouraging officers from getting bogged down in assessment work.</p> <p>Manager H explained that in the early 1990s assessment officers had their ‘patches’, worked from paper before it was sent for scanning, and dealt with claims end-to-end. The consultants who led the systems-oriented performance improvement project ignored things that the council did well and insisting upon the adoption of strict new principles. For example, all work had to be done in date-of-receipt order to avoid ‘batch and queue’. Consequently, all documents were directed into one tray within the document management system and officers were encouraged to take them out one at a time – the outcome was problematical. Officers didn’t know what work they had, new claims were delayed, overpayments increased, subsidy was lost, incoming forms were not linked together and repeat contact increased as customers were asked to supply duplicates of missing items. Managers eventually reverted to distributing work with due regard to priorities and staff capabilities.</p>	<p><i>Business Processes:</i></p> <p>Assessment officer E said that different local service centres appeared to be working in different ways and management should check that they were all using the same approach.</p> <p>Assessment officer F would revert to a system where each officer was responsible for a specific geographical locality, as it was a more personal service. Customers could deal with the same officer all the time. It was your patch so “the more you keep it up-to-date the better it is, you know the people and you work harder”.</p> <p>Manager A said that specialist units should be created to progress claims from asylum seekers, students and the self-employed. Similarly, assessment officer C said that the back office could reduce waste by making more appointments to resolve complex claims before they became problematical.</p>

ANNEX 7 (CONTINUED) Council B

Examples of failure (what happened and why)	Prevention (how it can be avoided)
<p><i>Quality:</i></p> <p>Manager D said that the system templates that were used to generate standard outgoing letters over-specified the requirements (i.e. ask for too much information) and led to unnecessary customer contacts.</p>	<p><i>Quality:</i></p> <p>Manager D said that the systems-oriented review encouraged officers to speak to customers to get the correct information and make informed decisions, to telephone customers before sending letters and to arrange interviews where complex cases were unlikely to be resolved through correspondence. Specialists could be pulled-in if required. This built quality into the work, avoided quality checking at the end and prevented waste, such as overpayments and appeals. Manager G also commented upon the shift away from closing documents and toward higher-quality work (which meant “working in the way that we expect you to work”).</p>
<p><i>Contact Resolution:</i></p> <p>Manager H said it was good that assessment officers were dealing with everything in the local service centres, there was more chance of getting things right first time, but she maintained that “the volume of work is now an issue”. Assessment officer E explained that high levels of resolution were achieved previously, when they only dealt with the value work. Now they had reverted to dealing with everything and see up to 160 people a day, they were conscious about waiting customers and took the paperwork to sort out later – a process that assessment officer E characterised as “take, keep, next person”. Manager G explained that a new claims pilot preceded the systems thinking review and the new claims pilot “really worked” because there was an appointments rota and customers saw staff who processed claims there and then.</p>	<p><i>Contact Resolution:</i></p> <p>Assessment officers C, E and F and Managers D, G and H all spoke positively about the changes that emerged from the systems-oriented review. Assessment officer C said that “the end-to-end thing” was an improvement, staff were more proactive about contacting claimants and resolving queries, and some local service centers passed hardly anything to the back office. Assessment officer E said the new way of working was better and going out to the local service centres helped officers to realise that claimants were real people – but some officers refused to change. Assessment officer F said it was good to have assessment officers in the front line because some things (such as de-suspensions) could be resolved quickly, dealing with claims end-to-end was better as the customer had only one person to deal with, and customers were happier with the service.</p>

ANNEX 7 (CONTINUED)**Council B**

Examples of failure (what happened and why)	Prevention (how it can be avoided)
<p><i>Attitudes:</i></p> <p>Manager A attributed the problem [[high levels of potentially avoidable customer contact]] to the reluctance of some staff to establish direct contact with customers. They were not complying with the council's instructions to use the telephone and meet the customers in the local service centres.</p> <p>Assessment officers E and F explained that some "old school" assessors sent out unnecessary letters asking for information that could be obtained online or they wrote to customers because it was the easy way out as "it gets the case out of your tray for a month".</p>	<p><i>Attitudes:</i></p> <p>Manager A said that formal written procedures might be needed to enforce the compliance of reluctant staff.</p>
<p><i>Knowledge:</i></p> <p>Manager A said there was not enough time to resolve individual enquiries end-to-end because staff were being "pulled around", i.e. constantly moved from the back office to the telephones and the local service centres. Manager A also said that productivity was being eroded by the loss of temporary staff who were provided with valuable skills on the Pericles system and then moved on.</p>	<p><i>Knowledge:</i></p> <p>Manager H recommended putting more staff into the local service centres (so that work didn't get referred to the back office) and using benefits trained staff on document intake as this would improve queue management. Manager H also speculated that output might be unacceptably low in the back office, as officers were able to work on individual cases until they were finished, and this might be unproductive.</p>

ANNEX 7 (CONTINUED)**Council B**

Examples of failure (what happened and why)	Prevention (how it can be avoided)
<p><i>Resources:</i></p> <p>Manager H said there were not enough assessment officers in the local service centres and they were not allocated enough space. Consequently, it was not physically possible to get things done while working in the front line. Managers D and G agreed about the lack of staffing resources but Manager G maintained that valuable assessment officer time was being “lost” to the telephones and the work that was being brought back from the local service centres. In Manager G’s opinion, the systems-orientated changes had run into trouble because too many [human] resources were being shifted into the front line.</p>	<p><i>Resources:</i></p> <p>Managers D, G and H all referred again to inadequate staffing resources. Manager D said that more staff in the front line would increase resolution rates there and reduce the pressure on the back office. It would be a mistake to confine staff to the back office because they would revert to “knocking out letters”.</p> <p>Manager H was concerned about the pressure on staff and hoped that new accommodation would enable the organisation to pool resources in order to deal with things such as council tax and overpayments.</p>
<p><i>Information Technology:</i></p> <p>Assessment officer F said there were not enough telephone extensions and officers used this as an excuse to send letters. Outgoing letters gave assessment officers’ extension numbers but getting through to the council was still “a nightmare” because the telephone system fails to recognise valid numbers. Assessment officer F explained that it was normal to ring several times and then get connected to the wrong extension.</p>	<p><i>Information Technology:</i></p> <p>Assessment officer C suggested providing front-line staff with system support on Pericles with facilities such as overpayments</p> <p>Manager B explained that new arrangements for handling telephone calls had evolved into a contact centre solution.</p>

ANNEX 7 (CONTINUED)**Council C**

Examples of failure (what happened and why)	Prevention (how it might be avoided)
<p><i>Communication:</i></p> <p>Eight of the respondents identified problems with computer-produced notifications and letters. A customer services officer said that “a large percentage of telephone calls are from customers querying notifications”. A senior assessment officer said that customers had to contact the council for clarification because the notification letters were “bewildering and confusing”. An assessment officer said that “most of the repeat contact is caused by the notification letters, they look like till receipts”. It was said that the computer system produces three letters per period and one customer received 132 letters in one batch. The council expected claimants to check key details such as income and capital on the notification letters but even the assessment officers didn’t understand them. A customer services officer said that new notification letters had been introduced “but the old ones were clearer”. There appeared to be a consensus that the notification letters needed a lot more work doing on them. Respondents also expressed concern about system-produced further information letters, which were described as “a major problem”. A customer services officer said that these letters did not adequately explain what it was that the council required because “assessors forget customers’ needs and do not edit the letters to make them more understandable”. An assessment officer said “customers don’t understand the letters so they don’t produce the right information”.</p>	<p><i>Communication:</i></p> <p>Four respondents referred to an over-reliance on standard paragraphs in computer-produced template letters. They said that staff needed to invest more time in drafting and editing these letters so that they explained the council’s requirements more clearly. References to the cessation of ongoing payments and threats about cancellation should be removed where they were not appropriate. Some training was necessary because standards of literacy varied widely and the council should test for literacy skills during the recruitment process. Strong feelings were expressed regarding the computer-produced notification letters. An assessment officer said they were “a long running joke” while a senior assessment officer said “the new ones are more rubbish than the old ones”.</p>

ANNEX 7 (CONTINUED)**Council C**

Examples of failure (what happened and why)	Prevention (how it might be avoided)
<p><i>Communication:</i></p> <p>Service delivery had moved away from personal contact with claimants and toward the use of correspondence, which was not very effective when many claimants lacked literacy skills or were vulnerable and needed support. A senior assessment officer explained that assessors were supposed to be telephoning customers to explain their requirements “there was a big push to promote this about a year ago” but telephone usage had tailed-off and even call-backs were done by the telephone team. A customer services officer explained that “a lot of assessment officers don’t like to make telephone calls to customers, so it doesn’t get done” while another said “some assessment officers are scared of claimants” and preferred to write.</p> <p>A senior assessment officer said that customer services officers attempted to explain the council’s requirements to claimants but different benefits assessors adopted different standards and this meant that front-line staff could not give definitive answers. Another respondent confirmed that assessment officers required differing standards of information and evidence (some are more strict than others) so customer services staff might think that documents are OK but could not be sure. A similar but wider point was made about inconsistent advice: a lot of potentially avoidable contact was said to be caused by different officers giving customers different information.</p>	<p><i>Communication:</i></p> <p>There was general agreement that the council needed to increase the amount of direct contact between customers and assessment officers. Some respondents said that assessment officers needed to telephone claimants instead of writing because “telephoning is productive as assessment officers can ask about anomalies on claims”. A manager said that the section had always resisted the contact centre approach but still thought that the telephone was a medium that could be used to pre-empt unnecessary calls through ‘positive contact’, i.e. contacting people with council tax arrears before they got into even deeper trouble.</p> <p>Staff needed additional training as assessment officers because public service officers and the telephone team didn’t always give or collect the right information. The quality of the messages from the telephone team to the assessment officers needed to be improved, as they were occasionally unhelpful and missed key information.</p> <p>The council needed a simple message for customers about the information that they had to provide to support a claim. Customer services staff needed to be very clear from the outset about what customers had to produce and they should go through the checklist very carefully.</p>

ANNEX 7 (CONTINUED)**Council C**

Examples of failure (what happened and why)	Prevention (how it might be avoided)
<p><i>Business Processes:</i></p> <p>A senior assessment officer pointed out a fundamental tension between two conflicting policies. An earlier way of working sought to detach customers from individual assessment officers and teams, giving assessment officers a degree of anonymity. Previously, the customer services teams were intended to protect assessment officers from unnecessary customer contact, so that they could concentrate on clearing a backlog of work that existed at that time. The respondent said that the backlog had been cleared and there was no longer any need for the customer services buffer, which “delays things enormously”. Again, it was said that the office was set-up for busier times when there were backlogs but “things have remained unchanged for some considerable time and become antiquated”. Another respondent made a similar point: assessment officers were supposed to have ownership of cases but customer contact was still handled by a layer of customer services staff, so many queries were passed back instead of being resolved by assessment officers first time.</p>	<p><i>Business Processes:</i></p> <p>The service needed a dramatic overhaul of its working methods and had a great opportunity to make these changes while it was so up-to-date. They could be presented as adaptations to the changing requirements of the Local Housing Allowance scheme.</p>

ANNEX 7 (CONTINUED)**Council C**

Examples of failure (what happened and why)	Prevention (how it might be avoided)
<p><i>Business Processes:</i></p> <p>Customers were passed back and forth between the housing benefits and council tax teams. The benefits telephone team said they tried to resolve council tax enquiries but the council tax team did not reciprocate. Apparently the council tax staff were on a higher salary scale because they made decisions about money.</p> <p>Drop-in interviews were problematical because assessment officers did not know what was coming and could not prepare. The system was said to be more about queue management during peak periods than it was about contact resolution. Even scheduled interviews often didn't go to plan as the information provided in advance was sometimes incorrect or incomplete.</p> <p>The council got information about some claimants' changes of circumstances directly from the DWP and landlords. The claimants provided the same information but the council did not discourage this contact because it could cause confusion about the need to notify changes.</p> <p>Customers provided information via the telephone but were then required to confirm it in writing. Some claimants obtained application forms online or from partner organisations, so their enquiries about the council's requirements might not be attributable to previous failures.</p>	<p><i>Business Processes:</i></p> <p>There should be closer working relationships between the revenues and benefits sections. Benefits staff currently knew little about council tax and it was easier to transfer these calls as it was "a bit of a grey area". Within benefits, closer working between different teams would be advantageous. For example, everybody should agree on a policy regarding the treatment of information and evidence, and then stick to it.</p>

ANNEX 7 (CONTINUED)**Council C**

Examples of failure (what happened and why)	Prevention (how it might be avoided)
<p><i>Contact Resolution:</i></p> <p>At one time, the telephone team was only required to give and receive information. Now, they needed to be trained to assessment officer level so that they could resolve the contacts generated by the calls they handled [or the seniors could do the updating while somebody else supported the telephone team]. This was how the council tax telephone team worked but the practice did not extend to housing and council tax benefits.</p>	<p><i>Contact Resolution:</i></p> <p>The telephone team needed the thirteen-week induction training course too, as that would cut down on the number of unresolved contacts. Reception gets a lot of people coming in who have been misinformed by the telephone team. The telephone team was expected to answer the same enquiries as the reception team but they got paid less.</p>
<p><i>Attitudes:</i></p> <p>Some staff couldn't relate to the "private sector stuff" all that well. Not everybody was signed up to the concept of treating claimants as 'customers'. In the public sector the customer was not always right, councils couldn't always give them what they wanted, and staff didn't get bonuses and free Christmas lunches.</p> <p>Customers who had experienced delays in the past were accustomed to chasing the benefits service in order to get things done. Similarly, some customers did not use the postal service (i.e. the mail) because previous experience had taught them that these items might not be dealt with promptly by the council.</p> <p>Customers were provided with explicit instructions but then did not do as requested. Some customers just liked to come into the office to maintain contact.</p>	<p><i>Attitudes:</i></p> <p>An open-plan public service area was desirable, as this would transform staff attitudes to customer contact. Staff on the floor dealing with customers would absorb a lot of the off remit and low-value work, keeping these customers out of the queues and enabling specialists to focus on the value work. There would be no additional revenue costs because of the resources released by the closure of the satellite office.</p>

ANNEX 7 (CONTINUED)**Council C**

Examples of failure (what happened and why)	Prevention (how it might be avoided)
<p><i>Knowledge:</i></p> <p>It was said that telephone advisors were not trained to the same level as assessment officers and did not have the same level of understanding, which created tension between assessors and advisors. A senior assessment officer said that trainees were not taught how to resolve customer enquiries. Consequently, inconsistent procedures emerged during subsequent periods of on-the-job training. The officer explained that there was a lack of process and monitoring around call handling. In the private sector detailed processes were developed and documented, then a proportion of calls were monitored so that staff could be provided with feedback. A customer services officer pointed out that there was a central source for office procedures but nobody relied on them because they were not kept up-to-date.</p>	<p><i>Knowledge:</i></p> <p>If a reduction in preventable contact reduced the workload on telephone team, the opportunity should be taken to have fewer but better paid telephone staff, as they had higher levels of knowledge than their current job specifications required.</p>

ANNEX 7 (CONTINUED)**Council C**

Examples of failure (what happened and why)	Prevention (how it might be avoided)
<p><i>Resources:</i></p> <p>The slow down in recruitment, combined with shutting the satellite office and the constant influx of people into the city, was expected to put additional pressure on front-line services. It might translate into more unnecessary contact and even less contact resolution, but a reduction in potentially avoidable contact could enable the service to absorb the increased pressure. The closure of the satellite office was said to be “appalling for the customers”.</p> <p>Some housing and council tax benefits staff qualified for housing benefits themselves and this suggested that they were under-paid.</p>	<p><i>Resources:</i></p> <p>Benefits were complex and the council needed sufficient numbers of trained assessors in the public service area and on the telephones. Putting all reception and telephone staff on the same grade would pay for itself via increased flexibility and reduced hand-offs. Telephone staff wanted this opportunity and would be willing to do some assessment type work. This would enable management to get the best out of everybody.</p> <p>If a reduction in preventable contact reduced the workload on telephone team, the opportunity should be taken to have fewer but better paid telephone staff, as they had higher levels of knowledge than their current job specifications required.</p>

ANNEX 7 (CONTINUED)**Council C**

Examples of failure (what happened and why)	Prevention (how it might be avoided)
<p><i>Complexity:</i></p> <p>The council's benefits claim forms were too long and complex, customers got confused and didn't understand what was required and this caused additional contact.</p> <p>The benefits system was inherently complex and dynamic. Consequently, customers did not understand the council's requirements. Staff were constantly adapting to centrally imposed changes and it was difficult for them to keep up-to-date, let alone explain the situation to customers. Customer services staff were unlikely to give correct information in inherently complex cases involving, for example, the self-employed and students. These cases almost inevitably resulted in repeat visits but this was partly attributable to the customers. Assessment officers didn't know enough about overpayments to resolve enquiries and had to refer customers to specialist colleagues.</p> <p>The population of the city was multi-cultural, so there were a lot of language related problems and people from abroad were not familiar with the benefits system. Many claimants were vulnerable and had problems with literacy and communication.</p>	<p><i>Complexity:</i></p> <p>Three respondents said the benefit claim forms should be simpler and clearer. The contents should be expressed in plain English, guidance about the production of information and evidence should be improved, the first few pages consisted of an off-putting "double page essay" and the checklist at the end was excessive. Customers did not subsequently remember which changes of circumstances they should notify to the council. A step-by-step guide for claimants, explaining the process and where they were in it, would help to reduce progress chasing and encourage valuable contact.</p>