

## Addendum

### *What benefits does systems thinking deliver?*

As people reviewed the manuscript of this book before publication, some wanted to know the quantifiable benefits that followed from the systems approach. They sought answers to questions like: ‘How much do people save?’ and ‘What are the efficiencies achieved?’.

My first concern is that reporting efficiency improvements might lead people to systems thinking for the wrong reasons. This book is a thinking book, not a recipe book, nor one that promises things which should not be promised. I am often asked to make proposals to prospective clients that include estimates of results that are going to be achieved. I always refuse. After all, while following the method might put all the balls over the pockets, it remains the leaders’ job to knock the balls in and, ultimately, to lead. Secondly, it is their duty to study their system, so that they can not only learn about systems thinking, but also establish for themselves the scope for improvement and the challenges to their thinking that effective changes will bring. Moreover, systems thinking is concerned with increasing capacity. It is as Deming taught: better quality leads to lower prices, a greater market share, growth and, thus, to more jobs. Those who seek cost reductions will fail, yet, paradoxically, cost reductions are a by-product of systems design.

Having said that, significant efficiency savings are achieved by those public service organisations that follow the systems approach. For example, trading-standards services show between 5 and 9 per cent cost savings in the first year, ‘simple’ services like Blue Badges can realise 10 to 20 per cent savings and more complex services like planning and road repair have realised 20 to 40 per cent. Savings in housing benefits start with ceasing the dependence on private-sector ‘backlog busters’ and extend to more accurate payments. This, perversely, attracts an incentive (as the service is improved it should need less resource). But overall, housing-benefits improvements are in the order of 20 to 40 per cent. Care services also realise greater capacity (typically 30 to 40 per cent), enabling them to deliver better care to more people with the same resource.

An examination of housing services presents an interesting picture. While the process of voids improvements immediately generates large amounts of cash from rents (void times fall from months to days) and the process of allocations is made more streamlined and customer-focused, the capacity of the system is increased by improving repairs, so repairs expenditure can rise rapidly. This is particularly true if the housing stock is in poor repair. If part of the repair work is undertaken by the private sector, efficiencies can be realised quickly by bringing it back in house. In one case, for example, rental income went up by £500,000 and repair times fell to days, yet maintenance budgets were underspent by £750,000. When staff left through natural attrition they were not replaced, realising £200,000. In addition, the costs of communicating with tenants (printing, stationery, postage, etc.) fell substantially and tenants were much happier. The efficiency improvements varied from 30 per cent in repairs to 40 per cent in voids and 40 per cent in administration.

All of the above efficiency improvements make the regime's efficiency targets look seriously lacking in ambition.

Going further, the savings that will follow reform of the regime will dwarf current efficiency targets. While individual service departments spend £20-£50,000 (around 2 or 3 per cent of their budgets) on the inspection process, large organisations like county councils can incur costs of more than £2 million in the inspection process: around £500,000 on inspection fees, more than £1 million on preparatory costs (none of this work being of value to the enterprise) and further costs as time is consumed during inspection. Such is the fear of failure that many public-sector organisations pay for consultancies to provide 'mock inspections', costing as much as £50,000 a time.

As many of the leaders of these organisations will point out, these are the identifiable costs of the targets-compliance-inspection regime. Following the inspector's requirements will often mean *creating* costs (doing things that make performance worse), while potentially the greatest hidden cost is the impact of inspection on morale. By stopping the regime from dictating what is done, we would make savings that go far beyond today's efficiency targets. Services like social care and policing are constrained by such

stringent regulation that they cannot be improved without waiving the current prescriptions, but, conversely, getting rid of the prescriptions would undam a flood of improvement possibilities.

With any endeavour, one can discover unintended consequences. As I write, we are learning that designing services using systems principles is having an unintended impact on citizens — but in a positive sense. I am not referring to improved satisfaction, for, while that is a significant consequence, we are also learning something quite new. Better service design is leading to greater involvement of communities in their local services. For example, if a dustman's job includes talking to people about how to recycle, a relationship begins to form between dustmen and the citizens whose bins they empty. The regime, by contrast, *breaks* continuity of contact between the service provider and citizen; by seeking economies of scale, taking service away from local providers and grouping it into mass-production factories, it ensures a minimal relationship between service provider and citizen. To pursue the refuse collection example, it is not unusual to find agencies employed to tell every citizen how to recycle, so all citizens get treated as though they are the same. Only the dustman is in a position to spot who needs advice and who does not (in the language of this book, only the dustman can understand each citizen's 'nominal value').

When public services fail to work (as they do), citizens give up or become indifferent — they put up with what is offered. When services are designed against demand, ensuring people get what people want, their confidence in the services improves and the relationship between service provider and the citizen also improves. The foundations are built for better democratic involvement. This is a fascinating unintended consequence, to which I shall return.