The Institute of Management Services is the primary body in the UK concerned with the promotion, practice and development of the range of methodologies and techniques for the improvement of productivity and quality, known collectively as ‘Management Services’. This embraces the disciplines of industrial engineering, work study, organisation and methods, systems analysis, and a wide range of management information and control techniques as illustrated in our Body of Knowledge.

The Institute acts as the qualifying body for the Management Services profession in the UK, focusing developments in practice and knowledge and acting as a forum for information exchange. This in turn enables our members who work under a variety of job titles across the whole of the UK economy, to make a more effective contribution to the well-being of their own organisation and to the nation’s economy as a whole.

In addition to creating and upholding professional standards for the practice of management services through the adoption of a code of ethics and the provision of a system of qualifying examinations, the Institute of Management Services collaborates with national and international professional bodies in similar fields.

The Institute is a member of, or represented on, a number of other bodies including the World Confederation of Productivity Science, the European Federation of Productivity Services, and the European Institute of Industrial Engineers.

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Write for your journal
Management Services needs good articles on improving productivity and related matters. Why not write one? You will receive help from the editorial team if you need it.

If you want to try your hand at writing a feature for Management Services, please submit an abstract (around 200 words) explaining what your feature is about, with intended word count. (Features should be between 1500 and 2000 words, although exceptions can be made.) Send your abstract to Melanie Armstrong, Editor, Management Services, Ewell House, Graveney Road, Faversham, Kent, ME13 8UP or email editorial@msjournal.org.uk

We also want your news and points of view about what appears in this journal. Something you disagree with? Tell us about it.
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Once again, it’s my pleasure to be able to write to the Institute membership. What a year 2009 is turning out to be – the news seems to be all doom and gloom. The bank rate is down to its lowest ever level of 1%. This is affecting many of our members who are retired and now seeing the interest from their savings disappear. The low bank rate is also impacting on our Institute as we relied on the interest from our investments to finance the running of the Institute. Thankfully we have ample reserves, so the impact on the Institute will not be great.

It is sad to see the long list of companies going under because of the recession; late in 2008 we saw the household name of Woolworth’s disappear from our high streets. I suppose this was particularly sad for my hometown as the first Woolworth’s store was opened in Church Street, Liverpool. In 2009 we have seen a long list of companies go under and many redundancies being announced.

The real impact of the recession on our Institute will be minimal, as our move to life membership has secured our future and we are not reliant on annual membership fees as most other professional bodies are. The real desire of companies to cut costs and ensure survival could actually mean greater emphasis being placed on the need to increase productivity, which bodes well for the job prospects of the IMS membership.

In January the Institute Council of Management met and one item discussed was the future role and direction of our Institute. A working party has been established under the leadership of our Deputy Chairman Andrew Muir to undertake a Strategic Review of the Institute and come up with proposals to plan ahead for the next five or ten years. It is expected that these proposals will be discussed at Council at our October meeting.

You will see in this journal that elections to Council will take place this year and we are seeking nominations. If you feel you can contribute to building a stronger Institute, I would urge you to seek nomination and stand as a candidate in the elections for the Institute’s Council of Management.

I look forward to communicating with you again in our Summer journal and sincerely hope the present recession has minimal impact on you and your families.

David Blanchflower

In recognition of 40 years’ membership, Robert Smith FMS was presented with the Institute’s Heraldic Coat of Arms by Deputy Chairman Dr Andrew P Muir FMS. During his time as a member, he has held every position at Branch and Region level and is currently Scottish Region Chairman. In 1992 he received the Institute’s Certificate of Merit and in 2004 received the Award for Outstanding Service to the Membership. Bob is well known in Markinch, Fife, where he is a member of both the Heritage Group, the Ramblers’ Association and Balbirnie Park Golf Club.

Gerry Parker was named Scott-Grant’s Student of the Year for 2008. Gerry is Head of Warehouse Productivity at British Bakeries, based in Birmingham. Tying for second place were Steve Richardson, Work Study and Costings Team Leader from Jobcentre Plus in Sheffield and Andrew March, who works in Preston as a Process Industrial Engineer for Leyland Trucks. All three winners will be celebrating with Scott-Grant in March.
An insight into the future

The North West Region sends its best wishes and congratulations to David Blanchflower on his becoming the new Chairman of the Institute and thank him for his helpful support to the region.

At the region AGM, held in January, Chairman Kevan Kelly welcomed the Institute Treasurer John Lucey to the meeting and thanked him for making the long journey to address us. John reviewed the recent changes to the Institute, resulting in the stabilisation of membership and income. He explained the introduction of internet banking procedures and told us that arrangements are being made for the establishment of such a system with the BOS.

He also reported that, following a review of the Institute’s assets, it was revealed that the financial situation is better than had been previously assumed, which means that funds are now available to strengthen the Institute’s standing and image. To examine possible areas of advancement, a sub committee of senior members has been set up. One field which might bear fruit is that of international cooperation. Many ‘emerging’ nations would be interested in our vast knowledge and practices of improving productivity. Before carrying on with the formal aspects of the meeting, Chairman Kevan Kelly thanked John for his detailed report and his insight into future developments.

The board is preparing a programme of visits for the coming year and these will be reported in the next issue of the journal.

Keith Gowing

Increase in IMS membership

In 2008 IMS training provider Scott-Grant Limited saw a 50% increase in the number of people they enrolled in the IMS. This significant increase is in no small part due to the popularity of the four-week Certificate programme they offer.

“Many customers are coming back to us to register more delegates on our courses. They see the relevance and value to their business in the course content we deliver. It’s quite an intensive and challenging course but one which is having a significant impact in the workplace,” observed Managing Director Richard Taylor.

“People more and more view the IMS Certificate qualification as the industry standard and that’s good news for the Institute, for productivity improvement, for our customers – and of course for us!”

Some delegates book for one module, usually Module 1, the Productivity Foundation, then appreciate the significance and value of what they learn and want to come back for more, often the full Certificate. The same scenario applies to people who attend other associated courses, such as the Lean Routemap or BasicMOST®.

The other encouraging factor is the cross section of industry sectors that are sending people to the Certificate course. “Looking at our bookings, it’s right across the board, including retail and distribution, process and the public sectors. Interestingly – and a fact that IMS members should draw particular encouragement from – the manufacturing sector features very strongly: food, engineering, electronics, steel, domestic appliances, kitchens, aerospace, vehicle assembly and the automotive supply chain.”

“People more and more view the IMS Certificate qualification as the industry standard and that’s good news for the Institute”
The article ‘Is performance personal or in the system?’ in the Winter 2008 edition of the journal, written by Will Pyke, contains technical errors in its statistical content, for which the author apologises. The purpose of the article was to stimulate thought on where best to intervene in a service system in order to improve performance: “should this be at the level of individual or system?” Gathering suitable statistical measures that relate to the purpose of the system greatly helps managers in this learning, enabling them to ask different questions about the work and what drives it. Through this they learn that the greatest lever to improving performance is by taking action on the system conditions that inhibit people’s ability to meet purpose, rather than a focus on the individuals themselves.

The article’s mistakes were in the choice of statistical tools for the data. Firstly, incorrect use of the moving range to calculate the limits in Table 2 and Figure 2, rather than the standard deviation; successful use of the moving range capability chart is best done with time series data. Secondly, Figure 4 does not make this mistake, but is the wrong method to determine the assertion that Earl’s performance is different from the group; an average and range chart is required to do this from this data.

The errors in choice of statistical methods do not change the article’s conclusions. Readers looking for further guidance on statistical matters are referred to the writings of Donald Wheeler. The author would like to thank Stephen Middleton.

“The errors in choice of statistical methods do not change the article’s conclusion”

Paul Hollingworth and members of Vanguard Consulting for helping the author learn from his mistakes.

Will Pyke

The very best professional help

We are always keen to help members and any enquirers of the Institute in their quest for knowledge or assistance when it comes to productivity issues. We’d like to draw readers’ attention to the following solutions for help with Performance Rating, which is still an internationally used technique.

New rating films for professional analysts
We have explored the possibility of creating new rating films but found the costs quite prohibitive. We were advised by Scott-Grant Ltd, one of our accredited training providers, that they had recently produced a new and comprehensive series of 12 rating films on DVD and we have fortunately managed to secure access to them. The rating films show examples of real jobs being undertaken in the workplace and the industries include

- manufacturing
- electronics
- engineering
- distribution
- timber
- needle trade
- retail
- manual work
- warehousing
- high volume distribution

All the films are intended to develop the application skills of analysts. They are an invaluable means of professional development for re-calibrating and maintaining the rating accuracy of every professional analyst, to ensure that the high standards of the Institute are maintained.

Performance Rating explained
Scott-Grant have also produced “How do you rate?” – a practical, 35 minute DVD to explain clearly how to use Performance Rating when measuring work. We would encourage every industry to use this film if they want to improve productivity in their workplace. Although the subject matter is very serious, “How do you rate?” delivers its message in a relaxed and entertaining way. Above all it is designed to be informative, practical and memorable.

Within 20 minutes viewers will have the opportunity to assess performance in carrying out a simple task, using the criteria explained in the film.

Please contact Lynette at the Institute head office Tel 00 44 (0)1543 266909 for more details.
To All Corporate Members  

Elections to Council of Management

At the Annual General Meeting to be held on Friday 23 October 2009 the following members of the Institute's Council of Management will retire. They are, however, all eligible for re-election:

J Lucey  J Heap  A Muir  H Downes

Nominations for the vacancies so caused may be made by submission to me at the Institute's Head Office, Brooke House, 24 Dam Street, Lichfield, Staffordshire WS13 6AA not later than 5pm on Saturday 11 April 2009 on the form overleaf. Will you please note that the nominee must be a corporate member of the Institute and be nominated by two other corporate members. Nominees must sign the undertaking to accept office if elected and provide details of themselves which may appear on the ballot paper.

In the event of the number of nominations exceeding the number of vacancies, ballot papers will be despatched to all corporate members on Monday 8 June 2009. The closing date for receipt of voting papers will be 2 July 2009 and the results of the election will be declared at the Annual General Meeting on Friday 23 October 2009.

The nomination form overleaf may be photocopied to avoid damaging your journal. An acknowledgement will be sent to the nominees as soon as the form is received.

The following notes outline the general duties and responsibilities of a Council member:

The Institute is a company limited by guarantee and is governed by the provisions of the Companies Acts. Its Memorandum and Articles of Association specify what it may do and how it should conduct its affairs. The business of the Institute is managed by the Council of Management who may do anything within the Memorandum and Articles of Association which is not contrary to any statute or is not required to be done by members in general meeting. This responsibility is a collective one and Council normally act through Council meetings. Council may of course delegate to committees or individuals but it has the final responsibility.

Council members are in a fiduciary relationship to the Institute and must exercise their powers for its benefit using reasonable diligence and care. They are required to take proper account of the interests of the Institute’s employees, as well as its members. They act as agents of the Institute and only become personally liable if they authorise any act or expenditure outside the Constitution. They may not receive any remuneration or benefit as Council members except out of pocket expenses; this includes benefit of any contract with the Institute by a company of which they own 100th of the share capital or more.

Apart from presenting annual reports and accounts and appointing certain officers, the Memorandum and Articles of Association lay no specific duties on the Council. Its responsibility is a general one of running the affairs of the business. Any individual responsibility springs from authority given by the Council and this will clearly vary from time to time. Council members are expected to serve a four year term of office and to attend all Council meetings (nominally two or three each year). To be a member of at least one committee (meeting three or four times a year) and to represent Council at region, or specialist group meetings if called upon to do so.

Harry Downes  
Secretary

Note: Candidates must enclose a good quality photograph of themselves and up to 50 words indicating why they wish to be elected to Council. This, together with the photo, will be published in the Summer Journal. Candidates must also let me have a maximum of 150 words giving details of their industrial/public service/professional experience relating to Management Services and/or past service to the Institute which will appear on the ballot form. If necessary, please add an additional sheet to accommodate your details.
# Nomination for Council of Management

**Institute of Management Services**

**Closing Date for Nominations**

5.00PM SATURDAY 11 APRIL 2009

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**Current office(s) in the Institute**

Why I wish to be elected to Council (50 words max.)

Industrial/Public Service/Professional experience relating to Management Services and/or service to the Institute (150 words max.)

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I hereby agree to serve on Council should I be elected thereto. The details given about Myself are true and correct in all respects.

**Signature:**

**Date:**

**NOMINATED BY**

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2
Impact of phase one research findings – why major change fails
The results of this phase of research were presented in the Winter journal and used to see how they related to some of the failures that Boots Manufacturing (BM) had encountered prior to the implementation of their lean ambition. The researcher recognised that there were three reasons for failure that applied to BM and they were, number 7 in Figure 5.3, ‘the absence of a dedicated and fully resourced implementation team’; number 8 in Figure 5.3, ‘the lack of a structured methodology and project management’; and number 15 in Figure 5.4, ‘the failure to fully engage staff’. Traditionally managers have had to implement major change in addition to their

Dr John J Lucey
John started in Work Study with an engineering company and moved to a subsidiary of British Leyland before becoming Work Study Manager with an international armaments manufacturer. He was promoted to the position of Contracts Manager and in 1977 he gave up his job to do an MSc in Industrial Management at Loughborough University, where he won the award for best student.
He spent two years working as Manufacturing Manager in a military optics company in Singapore, before joining the Boots Company in 1984 as Industrial Engineering Manager. It was at this time that John joined the IMS Council and has served continuously since. He was Chairman from 2003 until 2008.
In 1989, he was appointed a Factory Manager with Boots Contracting, until his retirement in 2004. In 2002, John commenced part time research into the sustainability of Lean Manufacturing with Cardiff Business School and has published many papers. He was awarded his PhD in April 2008, while he was still Chairman of the Institute.
"The 5S exercise transformed the Toiletries department, almost overnight, to the cleanest, uncluttered and one of the safest working environments in the whole of BM."

existing responsibilities. Consequently, neither their job or the change get the right amount of attention. The dilemma was, how could the Toiletries Manager take on board the three reasons for failure while undertaking their normal duties? The answer was that he could not successfully do both tasks simultaneously! The findings of the first phase of research informed phase two of the research and resulted in the manager ‘stepping out’ of his day-to-day duties and concentrating totally on leading and implementing the change. This allowed a clear methodology and the project management of the change, the manager had a small dedicated and fully resourced team and the employee engagement survey could be used to track the results.

The next section details how this concept worked in the implementation of a large 5S exercise.

**Phase two research objectives**

1. To evaluate the impact of allowing the Toiletries Manager to ‘step out’ of his day-to-day production role and lead a small, dedicated and fully resourced team using a structured methodology to implement the department’s 5S exercise at pace.
2. To use the ‘new’ employee engagement survey to measure the impact that this approach may have on the departmental employee engagement score.
3. To establish how the level of employee engagement can be improved further.

**Background to phase two action research case study**

The challenge for D10 Toiletries department was to implement a full 5S programme in the packing hall, comprising of ten high-speed packing lines in quarter four of 2002, when the department was at its busiest on record, with volumes up 40% to meet the Christmas demand.

The employee engagement survey is a very important measure and has been used every six months in the D10 factory since January 2002. As a consequence, it was possible to track the change process and see the impact that different change strategies have had on the overall employee engagement survey score and in each of the six sections on the questionnaire.

The scores from the first employee engagement survey (July 2002) are detailed in Figure 1.1. This was the first survey using the revised questionnaire and preceded the action research which commenced in October 2002. The overall average department score was 3.75. The scores for the individual sections were: ‘about my job’, 4.04; ‘about myself’, 4.13; ‘about team working’, 3.65; ‘about improving my job’, 3.34; and ‘about the working environment’, 3.92.

‘Team working’ and ‘improving my job’ were the two lowest sections at 3.65 and 3.34 respectively. The score for ‘improving my job’ was particularly concerning and coupled with the low score for ‘team working’, it signalled that the staff were not really engaged in the BM lean ambition. As these two sections are the most vital to a continuous improvement programme, it would be difficult to achieve BM’s lean ambition without effecting an improvement in these two sections.

In order to achieve the lean transition at pace, it was decided to release the D10 Toiletries Production Manager from the day-to-day order fulfilment process and allow him to concentrate totally on leading and implementing the 5S exercise in the packing hall for a period of ten weeks.

As his immediate manager, the researcher and the two Shift Managers assumed responsibility for day-to-day order fulfilment for the next
ten weeks and were able to witness at first hand what turned out to be a dramatic transformation. This approach addressed the three reasons for failure that were identified in phase one of this research which the researcher felt applied to BM.

The task had a structured methodology and the department manager was the project manager, the manager had the necessary resources in the form of a full time transition team of four. The team comprised of the D10 Toiletries Production Manager, one Shift Manager, one Assistant Department Engineer and one Lean Coach.

The employee engagement survey would be used to monitor and evaluate the results. In addition, a revenue budget of £20,000 was agreed at the outset to avoid having to interrupt the 5S exercise to prepare a financial justification and obtain the necessary approval. Figure 1.2 is a typical programme for a 5S exercise.

**Research findings**

**Phase two – action research case study**

At the end of the ten weeks the 5S exercise had been completed, together with the highest monthly production output that the department had ever produced. The January 2003 employee engagement survey score was 3.98, which was an increase from July 2002 (3.75).

Figure 1.3 is a graphical indication of the employee engagement scores which demonstrates improvements in ‘about my job’, ‘about myself’, and about ‘improving my job’. All areas, with the exception of ‘team working’ and ‘the working environment’, demonstrated an improvement. The ownership of the change and subsequent sustainability by the Toiletries Production Manager was quite astonishing. 5S audits 12 months later achieved the same or higher scores than were recorded during the action research. This approach to achieving lean transitions became the standard within the D10 factory and the D10 Toiletries exercise is held up as an exemplar.

**Statistical significance of the increase in employee engagement score**

Following the 5S exercise the mean level of employee engagement in the Toiletries

“From the results of this action research it appears that operational ownership of a major lean transformation is a prerequisite to achieving results quickly”
The Bootstrap method of statistical analysis, which is popular for this kind of analysis, was used to establish if the increase in employee engagement was statistically significant. The analysis used a 95% confidence level and produced a result of \( p = 0.45 \), thus the improvement was not statistically significant. While statistically not significant, the numerical score did increase by 6.1% which is a positive result. Using this technique, it is estimated that the level of increase would have had to be more than 10% for it to be statistically significant.

Obviously, in surveys such as these, subsequent improvements in the mean employee engagement score become harder to achieve as you reach the top limit of six. The higher the starting score is, the more difficult it is to improve, eg, a 6.1% increase from a base of 3.75 is more difficult to achieve than from a base of 3.5, as there is a finite limit to the maximum score that can be achieved. This dilemma is not uncommon in business research, as such it should not detract from the fact that the overall department score was a positive improvement.

**Discussion of research findings**

The first objective was to test the approach which was informed by phase one of the research. The impact that the dedicated implementation team, led by the departmental manager, had can be described as impressive. The manager was able to concentrate fully on the transition and in undertaking the 5S exercise he had the opportunity to work with every one of his staff on a one-to-one basis. The resources were available to make the changes quickly and staff could see that progress was being made and, perhaps more importantly, their manager was completely on board.

The 5S exercise transformed the Toiletries department, almost overnight, to the cleanest, uncluttered and one of the safest working environments in the whole of BM. The flow of work was better organised which facilitated the early implementation of a Kanban (card ordering system) system for packaging components. The ‘operational ownership’ that the manager displayed was quite impressive, perhaps because he enthusiastically took on the ownership of the change and regularly audited the packing lines.

This approach to 5S exercises became the norm for BM and the manager was often asked to give other factories/departments a presentation on what he called his ‘moment of understanding what the true role of a manager was in implementing change’.

From the results of this action research it appears that operational ownership of a major lean transformation is a prerequisite to achieving results quickly and, more importantly, achieving sustainability.

As the leader of the 5S exercise, the manager worked with every member of the department during the ten week exercise and there was a noticeable improvement in morale. A lot of issues that had been around for some time were at last being resolved. During this programme, success was celebrated as key targets were achieved which enhanced recognition and motivation.

Maslow (1943) stated that the most important thing about the hierarchy of needs is that, in general, man must have the lower
level needs satisfied before the next higher one becomes important to him. It is, therefore, important for staff to build their self-esteem, which in turn will improve their confidence. By doing so they are actually advancing along Maslow’s hierarchy. During the 5S exercise the manager ‘rolled his sleeves up’ and displayed passion and a conviction to complete the task on time and this rubbed off on the staff.

The second objective of this phase of research was to assess the usefulness of the employee engagement survey in assessing the impact of allowing the Toiletries Production Manager to ‘step out’ of his day-to-day activities and concentrate on managing the 5S exercise. The employee engagement survey proved to be a robust way of establishing a benchmark and being able to measure the impact of subsequent initiatives and strategies.

The employee engagement survey questionnaire is detailed in Appendix 1 and was quite unique as it had six discrete sections, each of which were scored individually. Consequently, it was evident where the real problem was, eg, ‘team working’, ‘improving my job’ or ‘the working environment’. More importantly, it could be used to give an indication of the likelihood of success when contemplating a major change.

In the January 2003 survey, in Figure 1.3, all areas, with the exception of ‘team working’ and ‘the working environment’, demonstrated an improvement. The slight reduction in the score for ‘the working environment’ was not surprising as the factory is a very large grade one listed building with a glass pebbled ceiling one hundred feet above the packing lines which makes it difficult to heat in the winter and impossible to air condition in the summer. (The slight reduction in the score for ‘team working’ was followed up using a focus group approach).

Grint (1997) draws attention to the very high failure rate of change programmes and Kotter (1996) talks about the amount of waste and anguish when a company is changing. When you multiply this by the high level of transition failures, it would add up to a tremendous amount of human and monetary waste. It is suggested by the researcher that the use of an employee engagement survey would substantially reduce the overall level of waste and build confidence in work forces and management. A survey prior to the commencement of a major change would give management an indication if the staff were sufficiently engaged to successfully transact and sustain the change.

The third objective was to establish how the employee engagement score could be improved and, if so, ask the question how this might be achieved. The four learning points that can be taken from this phase of research are:

1 Emotional intelligence and effective leadership
Goleman (1998) studied nearly 200 large, global companies and observed that effective leaders have one crucial quality and it is emotional intelligence, especially at CEO and director level. Goleman concluded that leaders who have a high degree of self-awareness will be mindful of how their behaviour affects others and in recognising this they will be able to inspire their staff to greater levels of performance.

Jack Welch (2002) contends that: “A manager’s job is to make his people feel ten feet tall – strong, powerful, self-confident, willing to take risks. Running down your own team is one of the worst things a leader can do” (Collingwood and Coutu, 2002, p 93).

Skinner and Spurgeon (2005) studied the relationship between health managers’ self-assessed empathy, their

“It is suggested by the researcher that the use of an employee engagement survey would substantially reduce the overall level of waste”
leadership behaviours as rated by their staff and staff’s personal rating on a number of work related outcome measures. They concluded that there was a moderate relationship between empathy and outcome measures.

2 Building employee engagement
The key element is to put in place a mechanism for regularly measuring employee engagement, so that the results of a particular action or strategy can be measured and then compared to see if there is an improvement. Employee engagement is not a widely used term but it is important to successfully implementing and sustaining lean transformations. It is also an important component of any continuous improvement programme.

Carnall (2003) raises the question of ‘an index of change readiness’ in order to reduce the failure rate of major change projects. The researcher believes that a regular measurement of employee engagement is an effective way of being able to assess if staff are sufficiently engaged for a major lean transformation to be successfully undertaken. This action based research has confirmed the decision to adapt Lewin’s (1951) definition of behaviour to define employee engagement, ie, employee engagement (EE) is a function (F) of the person (P) and their environment (E). Therefore, EE = F (P,E).

The employee engagement survey questionnaire includes a section on the working environment which could be considered as the employee’s immediate environment. In essence, employee engagement is a measure of the behaviour of the employee in the workplace. The employee engagement survey operated on a biannual basis from 2002 to 2005 in the D10 factory.

The employee engagement survey was very new and it was noticeable that different departments and teams organised the distribution, completion and collection differently. At the same time, there was no set way to probe poor scores and establish the underlying reasons. If D10 were to improve the employee engagement score in the future and succeed in getting all the departments engaged, it needed to be administered in a more consistent manner. It was felt that this was important enough to be the subject of another action research case study and this will be dealt with in the Summer journal.

3 Celebrating success
Bridges (2002) suggests that you take time to celebrate the successful completion of the critical milestones in a major transformation. It needs to be commensurate with the achievement and may be something as small as a get-together on Friday afternoon or something a little more personal, such as a weekend break with spouse. In either case, it should be fun and a break from the routine.

In the case of D10 Toiletries, success was celebrated when the 5S audit score reached 80% and 100%. At 80% the team went out for breakfast and at 100% they received a letter of congratulations with a £20 stapled to the back shortly before they broke up for the weekend (the requisite income tax was paid on this gift). This approach is consistent with Maslow’s (1943) hierarchy of needs and, if used properly, it can assist in rewarding and consolidating success.

4 Regular communication
It is well accepted that communication is important, especially in a period of great change. Wickens (1995) states that: “There is barely an analysis of problems within an organisation that does not conclude that we need to improve our communication” (Wickens, 1995, p126).

Communication is often confused with information. One of the first lessons that Wickens (1995) learned
from the Japanese is that if something is worth telling, it is worth telling quickly and the only way to do that is face-to-face. Most people are interested primarily in what is happening in their immediate environment and their interest decreases the more remote the subject of information.

The focus must be a group of people with their immediate supervisor talking with each other on a daily basis on matters which affect them, in a way which is appropriate for them. In the vast majority of cases, it simply does not matter if one supervisor gives a slightly different version of the same story or chooses to highlight different aspects of a common message. What is important is that the team communicates together in a way that is right for them and that the team looks for information from its leader, who is able to respond quickly. If this is not a genuine two-way process, and if there is no subsequent feedback on any comments raised, then employees will regard the exercise as what it is, a cynical exercise in deception. But this rarely happens. People cannot give their hearts and minds unless they know what is required of them and what they have achieved.

Communication, once started, must be sustained as it has a massive impact on employee engagement. During the 5S exercise it was noticeable that the staff felt that the level and frequency of communication was much improved. Perhaps this was because their departmental manager was very visible on the shop floor and they had easy access to him. Prior to the commencement of the 5S exercise, all staff attended a three-hour lean training session and each team was briefed immediately prior to the start of the 5S exercise on each line. D10 were keen to improve the level of employee engagement from survey to survey and they needed a method of maintaining or improving the current perception that the staff had regarding communication.

Conclusions of phase two research findings
A number of conclusions can be drawn from this ‘action research’ that would facilitate the transacting of change more quickly, sustaining the improvement and fully realising the benefits.

1. From the results of the phase two case study in Toiletries it would appear that the operational ownership of a major lean transformation by the operational manager is a very important factor in transacting a change quickly and sustaining the benefits. In essence, the manager leads the change.

2. The employee engagement survey proved to be a robust method of establishing how engaged staff are with a change agenda. It also highlights areas where there are issues and problems and enables management to address these. This action based research has reinforced the decision to adapt Lewin’s (1951) definition of behaviour to define employee engagement. In essence employee engagement is a measure of the behaviour of the employee in the workplace. The employee engagement survey operated on a biannual basis from 2002 to 2005.

3. This research is suggesting that a regular and robust two-way communications strategy may be a useful method of improving employee engagement and identifying and overcoming resistance to change.

4. The change in the employee engagement score from 3.75 prior to the 5S exercise when staff appeared slightly sceptical of the impending change, to 3.98 following the exercise when staff were noticeably more interested in improving their working environment may be an indication that 3.75 may be the threshold level of employee engagement required to successfully commence a major lean transformation and this aspect would benefit from further research.

5. The experience of ‘going back to the floor’ for ten weeks was both interesting and beneficial for the Toiletries Production Manager. In addition, it provided an excellent development opportunity for the two shift managers who assumed a greater level of responsibility during the 5S exercise.

In conclusion, it is evident that an operational manager cannot implement a major change and run a busy department at the same time. To transact the change at pace, serious consideration should be given to releasing the operation manager from the day-to-day order fulfilment and allow his subordinates to manage the order fulfilment and treat it as a development opportunity for them.

By leading the change, the manager demonstrated his commitment and this enables the change to be transacted at pace and provides the environment for it to be sustained.

“... it is evident that an operational manager can not implement a major change and run a busy department at the same time”
## References


### Appendix 1: Boots Manufacturing’s employee engagement survey questionnaire

**Employee Engagement Questionnaire**

(To be completed by all team members)

<table>
<thead>
<tr>
<th>Date:</th>
<th>Team and Department:</th>
</tr>
</thead>
</table>

**How do I feel about my job?**

1. **I am clear of what is expected of me in my job**
   - [ ] DISAGREE
   - [ ] AGREE

2. **My work colleagues and I work to the same standards**
   - [ ] DISAGREE
   - [ ] AGREE

3. **I have been adequately trained for the tasks I do**
   - [ ] DISAGREE
   - [ ] AGREE

4. **The planning and organisation of the day’s work is good**
   - [ ] DISAGREE
   - [ ] AGREE

5. **My work gives me a strong sense of achievement**
   - [ ] DISAGREE
   - [ ] AGREE

6. **People are usually thanked for a good job or for some special work**
   - [ ] DISAGREE
   - [ ] AGREE

7. **I feel I could take on more responsibility**
   - [ ] DISAGREE
   - [ ] AGREE

8. **I want to contribute to making BCM a very successful company**
   - [ ] DISAGREE
   - [ ] AGREE

**How do I feel about myself?**

9. **Management want team working to be the basis of the way we work**
   - [ ] DISAGREE
   - [ ] AGREE

10. **We have good communication within and between teams**
    - [ ] DISAGREE
    - [ ] AGREE

11. **I am part of groups that have real team spirit**
    - [ ] DISAGREE
    - [ ] AGREE

12. **People are willing to confront problems openly rather than hide them**
    - [ ] DISAGREE
    - [ ] AGREE

**How do I feel about team working?**

13. **I am regularly asked how I improve my work**
    - [ ] DISAGREE
    - [ ] AGREE

14. **I am consulted about plans that affect me**
    - [ ] DISAGREE
    - [ ] AGREE

15. **My team holds regular meetings to discuss continuous improvements**
    - [ ] DISAGREE
    - [ ] AGREE

16. **My team measures the quality of the work and strives for improvements**
    - [ ] DISAGREE
    - [ ] AGREE

**How do I feel about the working environment?**

17. **I accept that the changes being made are necessary**
    - [ ] DISAGREE
    - [ ] AGREE

18. **I have long term job security**
    - [ ] DISAGREE
    - [ ] AGREE

19. **The company consult before implementing major changes**
    - [ ] DISAGREE
    - [ ] AGREE

20. **BCM is a friendly place to work**
    - [ ] DISAGREE
    - [ ] AGREE

**How do I feel about safety?**

21. **I am able to improve the health & safety at work for myself & colleagues**
    - [ ] DISAGREE
    - [ ] AGREE

22. **My supervisor and management team take safety concerns seriously**
    - [ ] DISAGREE
    - [ ] AGREE

23. **STP observations have helped to improve my safety at work**
    - [ ] DISAGREE
    - [ ] AGREE

24. **I comply with all safety SOPs & behavioural safety standards**
    - [ ] DISAGREE
    - [ ] AGREE

**Total score**

[ ] [ ] [ ] [ ]
Understanding the effects of organisational change on staff in the NHS: A case study of a local Primary Care Trust Merger

Key findings
The analysis of the five focus group discussions on the recent organisational changes revealed a wide variety of emotions and perceptions. The process of analysis was complex and thorough and was tabulated around nine question categories and the key themes based on the literature, and sub-themes that emerged as follows:

Uncertainty related to the mergers
Two of the most common feelings expressed by respondents were ‘uncertainty’ and ‘vulnerability’, and they were mentioned throughout the discussions. Much of the discussion seemed to be in relation to what respondents thought the future held, rather than what they had just been through. This supports Terry and Jimmieson’s (2003) research that ‘the most frequent psychological state resulting from organisational change is uncertainty’. In contrast to the
"Discussions generally consisted of not being involved in the management of the change or the decisions leading to the change"

uncertainty felt by many, several references were made to the possibility of improvement through the reconfiguration of PCTs, and confirmed by Appelbaum et al.'s (2000) suggestion that mergers are viewed by some as an opportunity to improve an existing situation that is considered intolerable or dissatisfying.

Administration and managerial staff reported feeling threatened by the changes. They were described as being at ‘risk’ within the PCT merger timetable, and there was regular reference to ‘vulnerability’ and ‘uncertainty’ amongst this group of staff. Clinicians, such as nurses and therapists, have what is described as ‘non-feeling or denial’, possibly because of the ‘skills’ and ‘expertise’ they have.

One such comment by an administrative member of staff was: “...been in the organisation so long that it’s been going from little to big loads of times. Thought things were just happening again, there is always a feeling that when you’re a clinician you are safe.”

Alternatively, nursing and therapy staff tended to describe the uncertainty in relation to the children they care for instead of for themselves. For example, one nurse declared: "I have concerns about affecting children's community care."

Constant change in the NHS
The NHS change literature clearly describes the cyclical and continual pattern of change which is described within the context and reform agenda sections. One of the most salient themes to emerge from discussions was in relation to the amount of change that staff felt the NHS had experienced. Nearly all questions yielded reference to ‘another change’ and ‘not another change’, for example: “...felt like we were going round in circles. Didn’t feel worried when told something else that’s going to change.”

Cortvriend (2002) suggested that despite the fact that people are no longer shocked by the announcement of changes in the organisation, they nevertheless appear to remain affected by such declarations. Drucker (1981, cited by Wilson and Rosenfeld 1990) noted that the capacity for individuals to handle change is limited. This varies from person to person, but even the most receptive individuals can easily reach the limits of their tolerance.

Discussions generally consisted of not being involved in the management of the change or the decisions leading to the change, but that this had come from much higher up the organisation. Several group members believed that decisions ultimately came from the Government which led to a lack of control locally. Despite discussion about Government involvement, there seems to be a certain amount of resignation about this issue. It was as if people felt that this is the way it is and always will be and that NHS employees have little control over these decisions: "Not learnt its lessons from previous organisational changes..."

While the literature suggests that senior management ‘expect that responsibility will be absorbed’, what has been found is that actually the changes and management themselves hinder the ability to take actions and responsibility: “There was a lack of clarity in roles, not sure what we were meant to be doing. I felt paralysed, resentment, anger, anxiety and de-valued.”

There was one reference made by a nurse to feeling empowered on a day-to-day basis and there seems little to suggest how this was felt by one individual and not by others.

The research reveals an array of emotions from respondents who find they face different roles with new demands. Pritchett et al (1997) found that employees became less willing to make decisions or take risks, with an air of tentativeness or a ‘wait and see’ attitude, pre and during mergers. The reverse was found within this research where respondents wanted to be left to make decisions and ‘get on with the business’ but felt unable to, therefore it was not so much ‘less willing’ than ‘not allowed or able to’. One respondent described the positive impact of ‘having’ to manage workloads and capacity differently: “It has let us look at the discharge flow and improve it.”

The reference to ‘let’ almost suggests that without the major change, there was a perception of being unable, disempowered or even prevented from making changes.

Organisational commitment
Principally, emotions described during change were uncertainty, insecurity and vulnerability. Somewhat of a paradox emerged with some respondents within the same nursing group suggesting how valued people felt, and conversely expressing
sentiments of feeling undervalued.

Coyle-Shapiro (2000) found that to be positively valued was seen as vital for a positive contribution by employees, with contribution and intention to stay clearly linked. There is evidence to show that staff’s perceptions of change within the NHS is such that they expect change to occur. Some respondents within the administrative group described themselves as ‘institutionalised’ and were not really concerned that something else was going to change. Exploration of the statistical data reveals a link with lengths of time in service and the professional group they come from, with a clear link with longer service from those in the administrative group.

Our research findings do not support Meyer and Allen (1997), who suggest that highly specialised staff stay within the organisation due to limited opportunities of moving. It is suggested from these findings (whilst only small in number) that the admin staff have a tendency to stay within the organisation, even though they have what can be termed ‘transferable skills’ which would enable them to move around the public and private sector.

Respondents also spoke about leavers, a phenomenon described by O’Connor & Fiol (1997), where staff chose to leave mid consultation process (also referred to as ‘bailing out’). Three staff referred to knowing or being aware of colleagues leaving the organisation and when prompted for what they felt may be the reasons, staff felt it was due to being unsuccessful at the slottage in and recruitment phase, unhappy with not securing the right job or because of Agenda for Change (A4C) issues (pay scale changes). Jones (2005) described a number of ‘push’ and ‘pull’ factors influencing staff decisions of whether to remain within the organisation; A4C can therefore be described as a ‘push’ factor for some employees.

On investigation of the PCT statistics and exit interviews from 2004 to 2007, the figures are actually showing a recent downturn trend (Table 2). Information on reasons for leaving is not very specific and in many cases not declared, so it is difficult to say if any people left because of the merger. What is already known is that the two Chief Executives, one PCT Chair and some of the Non-Executives were leavers, although not necessarily through choice, but mostly any reasons given were promotion, retirement, relocation, further education or better work life balance – the remainder were not known. “The loss of senior people is concerning, and it feels like we’re taking a step backwards.”

The return rate of exit questionnaires is very low but of those returned the most common comments about what could be improved in the Trust were management style/attitude and communication. A couple of leavers also commented that the uncertainty of fixed term posts contributed to their decision to leave.

Fisher and Ashkanasy (2000) and Michie and West (2004) found the recognition of emotions to organisational commitment is important

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**Table 2: Leavers (pink shows the merged PCT from October 06 – March 07)**

<table>
<thead>
<tr>
<th>Year</th>
<th>Jan</th>
<th>Feb</th>
<th>Mar</th>
<th>Apr</th>
<th>May</th>
<th>June</th>
<th>July</th>
<th>Aug</th>
<th>Sept</th>
<th>Oct</th>
<th>Nov</th>
<th>Dec</th>
<th>Average</th>
<th>Total</th>
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<tbody>
<tr>
<td>2007</td>
<td>11</td>
<td>12</td>
<td>16</td>
<td>16</td>
<td>16</td>
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<td>11</td>
<td>16</td>
<td>16</td>
<td>16</td>
<td>11</td>
<td>11</td>
<td>10</td>
<td>128</td>
</tr>
<tr>
<td>2006</td>
<td>12</td>
<td>12</td>
<td>16</td>
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<td>16</td>
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<td>16</td>
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<td>16</td>
<td>12</td>
<td>128</td>
</tr>
<tr>
<td>2005</td>
<td>14</td>
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<td>14</td>
<td>14</td>
<td>165</td>
</tr>
<tr>
<td>2004</td>
<td>14</td>
<td>14</td>
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<td>14</td>
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<td>14</td>
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<td>14</td>
<td>14</td>
<td>14</td>
<td>194</td>
</tr>
</tbody>
</table>

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**Graph 2: Leavers**
Several references were made about staff not feeling like they could take time off or that staff were doing ‘over and above’ the normal because of the expected impact on performance, satisfaction, well being, stress and health and it is suggested that the variety of employee commitments are adversely affected by negative emotions at work and positively influenced by positive emotions. It would follow that if the perception is that sickness levels have risen, then staff commitment has reduced, and if sickness levels remain the same or reduced, then commitment is maintained or even increased. Several references were made to ‘staff worried about taking time off sick’ with the paradox of: “…all this change has had an impact on sickness – occupational health are involved at the moment.”

Several references were made about staff not feeling like they could take time off or that staff were doing ‘over and above’ the normal. Pritchett et al (1997) found that ‘coping behaviours tend to be highly self orientated’. Handy (1998, cited by Worrell & Cooper 2002) refers to this as ‘presenteeism’ which suggests the fear of redundancies may go some way to explain why staff attempt to demonstrate their indispensability by visibly working long hours.

Michie and West (2004) subsequently found that high absenteeism is associated with higher intentions to leave, followed by resignation. In analysing the sickness rates for the City PCT (Table 3) (for the period pre- and post-merger), a fairly consistent trend can be seen against previous years. This would support the perception by the respondents that felt staff ‘were not’ or ‘could not’ take time off sick.

The period from October 1, 2006, when the PCTs merged (in pink) reveals a consistent rate for three months with a rise in January 2007 and a significant drop in March and April 2007.

Summary

The main findings from the focus group discussions relate to four themes: Uncertainty, Cyclical Change, Commitment and Leavers/Sickness. For example, many respondents focused on the ‘constant change’ with no time given to adjustment, stability, evaluation and the lack of strategic direction that seems to emanate from central Government and thus weakens local delivery. Reference to feeling valued played a prominent feature in the discussions, and what appears to offer another paradox between ‘presenteeism’ and exit, loss and sickness. This varied from staff wanting to be seen to be doing and those that chose to ‘exit’ and leave the organisation.

Conclusion

The research findings enable a degree of comparability against those theories and research reviewed earlier in the paper. The aim is to see if there are similarities and/or differences in the local context of organisational change and the perspective in the literature.

The literature suggests there is a considerable drop in productivity around the 0–3 month stage following a major organisational change, such as a merger we have seen in the local PCTs. There are conflicting views on the simplicity of the mergers and much of the literature does focus on the economic effects rather than the human side.

What is clear from the literature that has been developed around the human side is the uncertainty, increased anxiety, increased staff turnover and lowered job satisfaction that such change
provokes in individuals. In exploring the literature there was very little evidence of the positive effects such a change can have on staff with brief reference to ‘some will view a merger as an opportunity to improve an existing situation that is considered intolerable or dissatisfying’. The literature supports the detailed tracking of the post merger phase and gives several reasons for the benefits of conducting research, discussions and interviews such as ‘to show staff that the organisations leadership really care about their active participation’. This study hopefully contributes to this.

The literature provides several models that can help to understand what staff are feeling, and why productivity, performance, behaviours and/or change are affected both in a positive and negative way and provides insights for future change in the NHS.

Whilst the Psychological Contract is by no means a new concept (dating to the 1960s) it has only recently been applied to the health care setting and this provides valuable insight into how staff feel when let down by the change in the employment relationship that they had come to accept as the ‘norm’. This is referred to as a ‘violation’ and incorporates the idea of how staff feel valued, or not (as has been seen within the research and literature).

To understand ‘absenteeism’ and ‘presenteeism’ in respect to organisational change several authors have drawn upon the concept of Organisational Commitment. This area looks at perceived obligations that staff have of the organisation and the behaviours that can be expected from them as a result of what is seen as unfulfilled obligations.

The research findings revealed several recurring themes that staff discussed in the focus groups and these were:
- Uncertainty;
- Lack of strategic management which led to cyclical change;
- Behaviours associated with Organisational Commitment and the Psychological Contract namely ‘presenteeism’, ‘sickness’ and those choosing to leave the organisation, as in ‘bailing out’;
- The effects of Organisational Change, namely added responsibilities due to delayering, staff unwilling to make decisions, how staff feel de-valued and why, and the ‘roller coaster of emotions’ that staff feel from the changes and new roles.

There was also a strong sense of resignation as people have become accustomed to constant changes occurring in the NHS. Respondents often voiced their doubts about the strategic planning behind the organisational changes. These findings suggest that large scale changes in the NHS enacted nationally may not always be made with sufficient forethought or sensitivity to local context, and that change may take place for the sake of change.

Responses in relation to the Psychological Contract suggest that more attention needs to be paid to this in NHS organisations. Participants remain loyal to the ethos of the NHS, to their patients, and to their employing organisation. Incremental or sudden erosion of the contract does appear to lead to exit, although more research is required in this area as findings were somewhat ambiguous, with the statistics not supporting the perception of an increased number of leavers.

Organisational change is seen here to be unsettling and causes considerable disturbances to staff members and their patterns of working, and these effects are further multiplied by introducing re-organisations into areas where the effects of previous changes are still felt, as has been identified from Agenda for Change (A4C) issues.
Agenda for action
One significant and relevant aim of this study was the desire to generate evidence for an ‘agenda for action’ for future organisational change that recognises and minimises the negative effects upon staff and service delivery.

To benefit the dissemination and application of the research, the focus groups were given the opportunity to consider ‘how change programmes in the future could be improved’. An extract of this is summarised in the appendix. Without offering a neat solution to the complexities of change, the ‘agenda for action’ provides valuable insights into the experience and meaning of change of those taking part and helps in shaping the processes of future change for the organisation. The study findings, the agenda for action and recommendations will be presented to the senior management team.

Our research challenges a number of common assumptions and concepts of managing change, particularly major change in the UK health sector. For those leading and managing change in all sectors the advice has included a host of change management recipes. However, the nature of the NHS and the public sector in general, i.e., the amount of social value created or destroyed; mixed and multiple accountabilities; the diverse services, processes and participants (client groups, employees, patients), suggest that the management and their methods of change are not as effective as they could be in an inherently complex and political arena like the NHS.

Our research found that there is no one reality for change recipients and participants; their reality, perceptions and experience of organisational change may be positive, negative or neutral, depending on their history; length of service; their own agenda and identity. In our view, an interpretive perspective where organisational change can be understood as a socially constructed reality is a better way of understanding change. Understanding what is, therefore, must be the first step towards understanding what can be (Collins 1998). For those tasked with managing during major change as described in this case study, we agree with Karp and Helgo (2008) that focusing on people’s relationships, their identity and the subject of their concerns and the way they articulate these can have a significant effect on all change participants, for the better.

The action-centred and collaborative nature of our research and its attention to what people are saying and how they say it, is considered critical to learning more about organisational change and the lessons that inform the outcomes of it.

“In our view, an interpretive perspective where organisational change can be understood as a socially constructed reality is a better way of understanding change”
## Appendix

### Focus Group Issues and Actions – Extract from ‘Communication and Change’

<table>
<thead>
<tr>
<th>ISSUE</th>
<th>ACTION</th>
</tr>
</thead>
<tbody>
<tr>
<td>‘Inform’ people… what communicate’</td>
<td>Communicate the changes efficiently, effectively and in a timely manner. A vacuum of information breeds scare stories and fuels uncertainty and anxiety.</td>
</tr>
<tr>
<td>‘... think of workforce as people and not numbers’</td>
<td>Communication can be more relevant to staff groups rather than ‘en-masse’. Make it relevant to individual staff groups, for example, managers, administration and clinical.</td>
</tr>
<tr>
<td>‘... communicate, more consultation’</td>
<td>Utilise various staff venues; don’t always expect clinical staff to travel away from their work environments to admin bases. Provide opportunities for employees to ask questions about the changes and how they will affect them. The line manager can often be the crucial link in this case.</td>
</tr>
<tr>
<td>‘... to have clear vision with clear score-able outcomes’</td>
<td>Produce vision and statements in various formats: newsletters, workshops, emails, intranet website, local newspapers. Explain why you believe the change is necessary. Human beings have consistently negative reactions to unexplained events. This effect is so strong that it is better to give an explanation that people dislike than no explanation at all – so long as the explanation is credible.</td>
</tr>
<tr>
<td>‘... the language is confusing and alienating’</td>
<td>Utilise the skills of the Communications Manager and department to understand how various communication techniques and language can be used.</td>
</tr>
<tr>
<td>‘PCT could learn a lot, they are distant, remote’</td>
<td>Organise stakeholder events/briefing sessions so that staff can see senior managers.</td>
</tr>
<tr>
<td>‘Email correspondence is all there had been’</td>
<td>Discussions with Organisational Development Manager suggest various workshops and forums can be utilised for future change and projects.</td>
</tr>
<tr>
<td>‘Email is devolving responsibility for getting people aware and feeding information’</td>
<td>Communications Manager has suggested that many more formats and media can be used.</td>
</tr>
<tr>
<td>‘... it never relates to how it affects you as an individual’</td>
<td>Need to make it real for the staff group concerned. Offer training to individuals to help them develop the resiliency skills to be able to regain a sense of personal control in a climate of change.</td>
</tr>
<tr>
<td>‘... took a long time, could be a quicker process. Decisions need to be made quicker’</td>
<td>If staff can see timescales, with actions and outcomes, then progress will feel quicker.</td>
</tr>
<tr>
<td>‘It feels like an organisation that doesn’t learn’</td>
<td>The dissemination of post merger analysis (such as this work) may show, as suggested within the literature, that the organisation is trying to learn.</td>
</tr>
<tr>
<td>They pay lip service to the idea that we are valued’</td>
<td>There is clearly a link between feeling valued and obligations unmet, or feeling unfairly treated. It is therefore in the organisation’s interest to ensure staff feel valued and this can be done through a variety of initiatives, such as those described above.</td>
</tr>
<tr>
<td>‘Need to do more feedback, reflection, and listening to the patients’</td>
<td>Patient and public involvement is now central to the NHS changes. Seek views in many ways; stakeholder events, invite patients to redesign forums, ask patients their views when setting up new services, changing services.</td>
</tr>
</tbody>
</table>

### References:


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Introduction
Planning of business operations is primarily concerned with the reconciliation of what the market requires, to what the operation's resources can deliver (Slack et al, 2007, p 290). This process is especially difficult in periods of economic uncertainty or where the business is facing dramatic growth or decline in the demand for its products or services.

For the University of Worcester Business School (WBS), recent transformations in its course portfolio have seen student numbers increase by 85% since 2006. While this is to be applauded, it does bring problems of attempting to match resources to this demand, particularly in the short term.

Moreover, recent increases in student fees, the downturn in economic conditions and greater awarding powers given to Further Education colleges has meant uncertainty in the Higher Education sector.

All of these factors make planning for a forthcoming academic year difficult. Nonetheless, plans have to be made well in advance of final student numbers, mostly based on best estimates. The purpose of this article is to examine the process followed by the University of Worcester Business School in planning its operations for a forthcoming academic year.

The planning process
The process of planning of the operational resources necessary for the next academic year largely focuses on an assessment of scheduled course activities, and the interaction of Business School staff with the University Planning Department.

The planning process is divided into three specific stages:
- Requirements gathering;
- Staff and time allocation;
- Room allocation.

Warren Wright
Warren Wright is Director of Planning and HR in the Business School at the University of Worcester. He has taught computing and business management for several years, specialising in information systems development and information management.

Carl Evans
Carl Evans is a Senior Lecturer in the Business School at the University of Worcester, specialising in operations management and service delivery.
Senior Management Team review
The Business School Senior Management Team will meet to discuss activities that will address University and departmental objectives. A clear institutional requirement for the University of Worcester Business School (WBS) is to contribute to the strategic objective of 50% growth in student numbers between 2006 and 2012. In practical terms, this has resulted in the ongoing transformation of the undergraduate and postgraduate portfolio. Consequently, this step in the planning process will include any potential new courses to be offered in the next academic year and the associated resource implications.

Review modules and targets
The planning process for the next academic year is dominated by identifying the courses and modules that will be offered to students. Even so, the delivery of courses will largely be in accordance with deadlines set centrally by the University’s Planning Department. Consequently, the dates for terms, semesters, examination boards, graduation ceremonies and assessment weeks are set well in advance to which the schedules of specific course modules must adhere. However, at this step, WBS is only concerned with identifying what courses need to be offered and who will deliver them.

Each course is broken down into a number of modules, with each module deemed either mandatory or optional, depending on the course pathway being studied. Identifying which modules need to run should be fairly straightforward, but in reality the process is complicated by the following factors:
- WBS offers over 40 courses;
- Optional modules on one course may be mandatory on another;
- New courses (and therefore new modules) are being continually introduced;
- Some Business School modules may be required by courses that are delivered by other schools.

However, having identified which modules need to be offered, the next activity is to estimate how many students will take the module. Clearly, a popular module with 150 registered students will require more resources than one attracting merely 15 students.

Nonetheless, student numbers can be estimated by determining how many students must take the (mandatory) module, reviewing past numbers on each module and projecting forward, and by considering the popularity of the course. For example, courses majoring in Advertising and Marketing traditionally tend to attract more students than Finance and Accountancy.

“The Resource Model will also calculate the total resource for each activity and the total allocated hours for each member of staff”

The purpose of this estimation is to forecast how many module groups of students are required (based on a typical group size of approximately 30 students). A popular mandatory year one undergraduate module may require the necessary resources to support six groups, whereas an optional final year module may only require the resources to support one group.

Nevertheless, it is impossible to estimate accurately the number of students attracted to a particular module. Where the estimate falls between two groups, the tendency has been to over-resource (eg, an estimated module target of between 25 and 35 students would be allocated two groups rather than
one). However, this cautious approach does have a subsequent effect on staffing and rooming requirements. To assist this process, all activities are recorded on a bespoke planning tool (known as the Resource Model) which is designed by, and specifically for, the Worcester Business School (see Figure 1). The Resource Model is a matrix which plots all activities (teaching and non-teaching) against the members of staff allocated to them. Each cell in the Resource Model not only identifies which staff are responsible for each activity, but also the amount of time allocated to that activity.

WBS bases all time allocations on the premise that each full-time academic member of staff is contracted to 540 hours of teaching or teaching-related activity per year. For example, a single module taught to a single group is allocated 60 hours; the supervision of an undergraduate final project is allocated four hours.

The objective of this step is to gather the room requirements for all the modules identified previously. The Resource Model should now contain a reasonably accurate picture of what modules are required, who will deliver the modules and how many groups are required for each module. Each module leader or module team will review how they would like to deliver their modules. They should identify the size, length and number of each session, eg, one 60 minute lecture to 60 students followed by four 90 minute seminars groups with 15 students in each.

Scheduling lectures and seminars becomes critical for planning. For example, four 90 minute seminar groups may be scheduled in the following ways:

- Four sessions in parallel will require four rooms and four staff for 90 minutes;
- Four sessions in sequence will require one room and one staff member for six hours;
- Two by two sequential sessions in parallel will require two rooms and two staff for three hours.

Module leaders will also request any specific resources they need to teach the module. For example, access to audio/video equipment or a room with IT equipment.
running specialised software. The accurate collection of this information is a large undertaking with over 140 module occurrences running in one year.

**Send timetable request to the University Central Planning Department**

The information gathered in the previous activity is formatted to the requirements of the Central University Planning Department. To summarise, the information collected for each module will be:

- Module code, title and occurrence;
- Status (mandatory/optional);
- Seminar/Term/Day;
- Size in student numbers;
- Session format, i.e., lectures, seminars, practicals;
- Special room requirements;
- Module tutors.

The University Planning Department will receive similar information from other academic departments, plus a number of one-off demands for activities such as meetings, open days and conferences.

Using sophisticated timetabling software, the Planning Department will now create a universal timetable to meet the total University room requirements. It will be mindful of the following issues:

- Module clashes;
- Staff clashes (staff cannot deliver two modules at the same time);
- Room clashes (two sessions cannot be delivered in the same room at the same time).

The University’s Undergraduate Modular Scheme also allows students to take two subjects, e.g., a joint degree in Business Management and Sports Science. Therefore, the University Planning Department must also avoid subject clashes.

**Academic staff review**

In any service operation, people tend to be the most important resource. Here, the Worcester Business School has to ensure that its staff are deployed in the most effective and efficient way to maximise student satisfaction. In this stage the staff timetables are formalised via the annual staff development review (appraisal). The Resource Model contains all the activities of all the academic staff within the Business School and it can be used to generate individual staff timetables. However, in this step, the timetables will not contain information about times or rooms.

Having been presented with their individual timetable, staff now have an opportunity to suggest amendments. The amendments tend to be relatively minor, except perhaps when dealing with a new member staff whose knowledge and skills may not be a direct match to their timetable. All changes are recorded on the Resource Model and the Planning Department are also informed.

**Review module timetable**

In March, the Planning Department publish the first draft of the timetable for the next Academic year. Here, only information about session occurrences is released, i.e., when each module will take place, but not where. Potential problems such as unresolved clashes are highlighted and meetings are arranged to seek solutions. The draft timetable is amended and agreed and subsequently the Resource Model and the individual timetables are updated, with the dates and times of all the teaching sessions.

**Publish to students**

The module timetable is now at a point where all the modules being offered have been identified and allocated dates and times. All courses should be covered and all agreed subject combinations should be possible. This information is then forwarded to Registry Services, who make the information available to students via an online portal. From this information,
students can now enrol on the modules they would like to take next academic year (eg, first year students choose their second year modules). Students will also be given a deadline (early May) by which they will need to register their choices. All option modules are usually offered on a first come, first served basis.

Review student choices

Shortly after the deadline, students choices will be collated for each module and the totals determined. This information can then be used to adjust module targets. Additional groups may be required or, more likely, groups are withdrawn (because of the tendency to over-estimate in the previous stages).

An optional module could be withdrawn if the number of students is not sufficient to justify delivering the module. However, such decisions have to be made with a certain amount of personal judgement because the accuracy of the module information is limited for the follow reasons:

- Module totals will not include first year modules because there are no students at this stage enrolled to select them;
- Direct entry students, ie, those students who enter courses from other institutions, in either the second or third year, will have not made their choice;
- Many students (up to 40%) have ignored the deadline as they were undecided or awaiting the results of final assessments before making a decision.

Review student recruitment/semester one rooms

As the new academic year commences, the final draft of the timetable will be released by the Central Planning Department, with room details for each session running in semester one. The amended timetable is then forwarded to all academic staff, so that they can individually check the suitability of the rooms provided. This will be the most contentious part of the whole process as staff will vie for the ‘best’ rooms.

Mistakes and misunderstandings of the initial module requirements will come to light and staff will have the opportunity of rectifying them where possible. Typical problems include:

- The size of the room, ie, too small for the target number of students;
- The layout of the room, eg, a lecture theatre being used to hold tutorials;
- A module being delivered in different rooms in different weeks.

At this stage, module numbers are confirmed, as student choices figures can now be relied upon, as all students will have registered on the modules they wish to take, (including the newly enrolled first years and direct entry students). Changes to module targets should be relatively minor, but could have subsequent effects on the room details mentioned earlier.

Review semester two rooms

The academic year will now be running – 14 months since the planning processes began. The issues around reviewing the semester two rooms will be similar to those concerned with first semester, but this time the student recruitment should have little effect, as few students enter courses at that time of year. At this time however, phase one of the planning process for the next academic year will be happening concurrently, ie, the gathering of information to determine resource requirements.

Conclusion

As student numbers are confirmed late into the planning timeline, this makes the process of planning for operations in a University department fraught with potential problems. Furthermore, the process of planning operations is becoming increasingly difficult. In particular, the demand for student places is harder to forecast, given the uncertainty in the business environment. Consequently, the planning process is an eclectic mix of predictions, extrapolations, spreadsheet analysis and informed personal judgement, constrained by central planning instructions and resource availability.

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When considering performance improvement, business development, re-engineering and transformation options, boards need to achieve a balance between change and continuity, and focus upon areas of greatest opportunity. As situations alter and circumstances change, capabilities, processes and working practices need to be reviewed. For many, change is an inevitable consequence of their roles and responsibilities. It may be both necessary and desirable, and the management of it has been a lucrative area for consultants. However, certain changes are more welcome than others, and some people are much better at managing them than their peers. In some companies managers may be assessed and rewarded according to the amount of change they bring about. However, directors, boards

By Professor Colin Coulson-Thomas.

Professor Colin Coulson-Thomas
Professor Colin Coulson-Thomas, an experienced consultant, author of ‘Winning Companies; Winning People’, Professor of Direction and Leadership at the University of Lincoln, and an experienced Process Vision Holder of major transformation projects, has worked with over 100 boards to improve board effectiveness and/or corporate performance and reviewed the processes and practices for winning business of over 100 companies. He can be contacted by telephone: +44 (0) 1733 361149, Email: colinct@tiscali.co.uk or via www.coulson-thomas.com.
“By the time many change and transformation projects are completed a company may require something quite different”

and senior managers should tread warily as change can be disruptive and costly. It can distract people who should be focused upon other priorities.

When mismanaged, change can be stressful and destructive. Few changes affect everyone in the same way, and the impacts of certain changes may not be immediately apparent. There might be hidden and longer term consequences. Board members may be divided between those who are for or against particular changes. People who are indifferent or ambivalent may simply ‘go with the flow’.

Discovering what high performers do differently

Despite much rhetoric about nimble, responsive and flexible organisations, and the attention given to ‘change management’, many organisations are struggling to cope with the current recession. Business leaders downsize and restructure in ways that destroy shareholder wealth and prejudice future prospects. The findings of the ‘Winning Companies: Winning People’ research programme, led by the author, suggest frustration is the inevitable consequence of how many people set about managing change.

The research examines practices in areas critical to corporate success, such as winning business. Studies rank participant’s attainsments in relation to outcomes achieved from the most to the least successful. The approaches of high and low achievers – for example, those in the top and bottom quartiles of accomplishment – are then compared to isolate critical success factors and the winning ways of high achievers that explain the differences of attainment.

In total, over 4000 organisations, from smaller firms to major corporations, have participated in the research programme. Some 2000 of these have contributed to particular exercises to identify critical success factors for key business development activities. The findings are remarkably consistent across sectors, corporate nationalities and different sizes of organisation. They also reveal a small number of high performers whose approaches are more successful – for example, only 4% win more than three out of four of the competitive bid races they enter.

There are various ways of improving performance from building new models of organisations, redesigning processes and adopting new technologies to introducing new ways of working and learning. Generally they take time, are expensive and require large project teams and many consultants to implement. Yet recent events have shown market conditions and customer needs can change overnight. By the time many change and transformation projects are completed a company may require something quite different.

Traditional approaches to improving performance and building corporate capabilities no longer work for many companies. Situations, circumstances and customer requirements can suddenly alter. Windows of opportunity quickly open and close. Customer and corporate requirements mutate before traditional approaches to improving performance and building new capabilities can deliver results. Companies need fresh approaches that are quicker, cheaper and easier to implement.

The ‘Winning Companies; Winning People’ research programme examines what the most successful people, teams and companies do differently in activities that impact most upon corporate goals, so that average performers can be helped to undertake these activities in a ‘winning way’. The findings suggest areas to focus upon, as
research teams have identified critical success factors and winning ways for undertaking activities, such as corporate learning, managing know-how, pricing and purchasing.

Smart boards make adaptation and change a way of life. They read the road ahead and try to anticipate changes that may be required. They identify and approach those whose help they might need. They are proactive rather than reactive, and retain control. They introduce desired changes when there is the greatest chance of success.

Much will depend upon the purposes of change and the capacity to adapt of the people involved. Directors should question the rationale for proposed changes, and ask whether an impact analysis has been undertaken of their likely implications. Are the potential consequences for employees, customers, suppliers, business partners and investors adequately assessed?

When deciding what to change, don’t confuse operational and strategic issues, or your personal interests with those of the organisation. Build an effective board of competent directors who understand the distinction between direction and management. Surround yourself with open-minded, pragmatic and competent contributors who will consider proposals for change dispassionately and objectively.

Helping people to excel
Change and transformation initiatives often require significant up front investments, prove disruptive to those involved, and may not deliver results until one or more years later. At a particular moment, most large companies will have a variety of corporate wide initiatives involving large numbers of people. Yet those in the front line often struggle to develop bespoke response to the requirements of individual customers.

Particular attention should be paid to the interests of customers. When new models are introduced, will the spare parts needed for earlier products still be available? Introducing changes without considering their costs or consequences can do great harm to reputations and relationships. Customers sometimes have more regard for a company’s offerings than its managers.

There is little point in paying for the development of corporate capabilities if they cannot be accessed as and when opportunities arise. Sales, service and support staff need to be able to quickly and easily get what they require to deliver value to customers.

Smart companies look for easy and inexpensive ways of enabling people in the frontline to quickly respond to the changing needs of individual customers. Increasingly customers want to feel special. They don’t see themselves as a statistic or category. They demand bespoke responses.

Companies need to find practical ways of rapidly and cost effectively boosting corporate performance. Pioneering companies, like Avaya, Dana Corporation, Friends Provident and Cisco Systems, are building critical success factors and the winning ways of high performers into the tools used by important work groups, including front line staff dealing directly with customers. They are making it easy for their people to understand complex issues and do difficult jobs. Building checks into the tools provided can also enable users to create and deliver solutions for individual clients.

Evaluations of results reveal returns of between 20 and 70 times an initial investment in a matter of months – even when only one or two of a dozen or more possible outcome measures have been used to assess results and only a small proportion of users have been examined. The evidence is clear and compelling. Huge performance improvements have been achieved. Timescales have been cut from weeks to minutes, understanding increased and compliance and other costs reduced.

The importance of understanding
Increased understanding is particularly important. Over a half of the top ten critical success factors (CSFs)

“Much will depend upon the purposes of change and the capacity to adapt of the people involved”

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<th>Critical success factors for competitive bidding</th>
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<tr>
<td>- Understanding the value/benefits customers expect to gain from your products/services</td>
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<td>- Understanding the cost of ownership issues that impact customers’ decisions about your product/service</td>
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<tr>
<td>- Establishing the superiority of your products or services over those of competitors</td>
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<tr>
<td>- Understanding the factors the customer considers when purchasing your product or service</td>
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<td>- Developing person-to-person relationships with potential customers</td>
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<td>- Understanding the business environment in which your customer operates</td>
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<td>- Ability to offer support or ancillary services</td>
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<td>- Understanding the roles played by individuals in making the purchase</td>
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<tr>
<td>- Understanding the decision-making process each customer uses when purchasing your product/service</td>
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<tr>
<td>- Persuading potential customers to invite you to bid</td>
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“Change can disorientate and disrupt, even when it is beneficial”

for winning business (see Figure 1) identified by the research programme start with the word understanding. Understanding underlines other CSFs as well. For example, establishing the superiority of your products or services over those of competitors requires an understanding of your differentiators.

Those who do not understand their companies’ technologies or offerings and how they can best be used often struggle to persuade prospects – who may also not understand them – to buy. Support tools should make it easy for both buyers and sellers to understand a requirement, assess available options and select the most appropriate response. They should also make it very easy for prospects to buy.

Figure 2 shows a screen shot from a support tool developed by Cotoco (see www.cotoco.com) for Eyretel which is one of a series of animations which are designed to explain how the company’s call recording equipment works. The tool was designed to allow sales staff to sit down with prospects, assess their requirements, create and price a bespoke response to a particular customer’s needs, and generate both a proposal and the case for going ahead. It delivered a return on investment of over 71 times the project cost in the first year alone, and secured a BT innovation award.

In relation to change, people need to understand why change is needed and how they can contribute to bringing it about. Effective communication is critical, especially when changes are complex and implications are unclear. Where there is agreement as to the destination, tools that support learning and the sharing of approaches that give the best results can help people to cope with the demands of the journey.

Thinking before acting
A focused, flexible, pragmatic and ‘end-to-end’ perspective is required. People need to think through the likely consequences of changes for colleagues and business partners. Altering a task at one point in a process, or introducing a new activity, may cause problems for those operating elsewhere, either within the same process or in a related or dependent one.

Allies and opponents need to be identified. Some champion change. Others undermine it. Change can disorientate and disrupt, even when it is beneficial. People may also only be able to take so much of it. Organisational leaders need to think carefully about how much change people can handle before negative consequences wipe out desired gains.

Change for change’s sake should be avoided. A degree of continuity may be required.”
Lessons for leaders

Certain rules of thumb emerge from the ‘Winning Companies; Smart organisations build upon an existing reputation and safeguard core values. Steps may need to be taken to protect what is important and prevent the compromise of cherished beliefs. What are the anchor points of the business? What is the cement that holds its people together?

There are other questions to consider. Might changes result in the loss of strategically important knowledge and understanding? Is sufficient effort devoted to building longer-term relationships with customers, suppliers, investors and business partners? How easy is it for people to speak up against change?

Directors should distinguish between goals, values, objectives, policies and activities that need to be changed and those that should be continued. Too many people passively ‘follow the herd’. Once a clear majority appears to favour a particular course of action, they climb aboard the prevailing bandwagon.

Think also about longer term and strategic impacts. Imitating and copying others can be dangerous. People can sometimes be naïve or mistaken regarding their best long-term interests. Preferences and priorities can change. Nothing is more frustrating than finding certain options have been lost because a decision cannot be reversed.

Boards sometimes attempt to change too much. Is there sufficient continuity for people to have a sense of identity, belonging, direction and purpose? Are conscious efforts made to provide enough continuity for people not to feel threatened and insecure?

Present a compelling case for change. People should only be expected to make demanding changes for good reason. The visions and rationales offered by many boards are excessively general. Inspire and motivate with a distinctive vision, compelling purpose and clear objectives. Accentuate the positive. Sell the benefits, but avoid blather and hype.

Think through ‘what’s in it’ for those involved. People should be encouraged and enabled to work and learn in whatever ways best enable them to harness their full potential and give of their best. Individuals differ in how they react to certain situations and opportunities. Thus, working from home may not be suitable for those who are not inwardly directed or self-motivated.

Effort should be concentrated where it is most likely to make a difference. Justifiable changes are more likely to be those that focus upon the critical success factors for achieving key corporate objectives and delivering greater customer and shareholder value. Winning business is particularly important for ambitious companies.

People need to be motivated, prepared and equipped to achieve the changes they are expected to bring about. Make it easier for them to adopt the superior approaches of ‘superstars’, understand complex areas and undertake activities that are intrinsically difficult.

Understand critical success factors for key corporate activities and build them into work processes.

While general ‘change’ programmes abound, the use of specific tools to help individuals bring about particular changes, do demanding jobs and deliver bespoke responses is limited. More effort needs to be devoted to them. Ensure people have the support tools to do what is expected of them, while also developing their confidence and gaining personal fulfilment.

Changes occurring all around us represent challenges and opportunities. Boards should consider who are likely to be ‘gainers’ and ‘losers’ from significant trends and developments and assess whether new or alternative offerings would mitigate undesirable impacts or enable people to take fuller advantage of emerging possibilities. Those affected might represent a lucrative potential market for products and services tailored to their particular interests.

... people need to understand why change is needed and how they can contribute to bringing it about...
Conclusions

In conclusion, successful companies are the most focused. They recognise that continuity can be important and only change what needs to be changed. They concentrate upon those who have the greatest impact upon customers and profit. They articulate and communicate stretching, distinctive and compelling visions of a better state of affairs and ensure their people understand why change is needed and what they can do to bring it about. They equip their people with the tools to do what is required.

The experiences of pioneers of the approach advocated suggest demanding requirements can be quickly met. By spending a small fraction of the cost of past corporate programmes, pioneers are boosting performance, speeding up responses, and increasing understanding by using a new generation of cost effective support tools to make it easy for people to do difficult jobs.

The same tools can free people from particular locations and support mobile working, relocation and outsourcing. As well as reducing stress, avoiding risks and cutting costs, tools can build competencies by enabling users to learn from each application.

As a business grows, its directors may be unable to become directly involved in the many and varied activities that more bespoke and imaginative responses to a greater variety of requirements

“Once a clear majority appears to favour a particular course of action, they climb aboard the prevailing bandwagon”
demand. Organisations need to transform themselves into incubators of creative solutions and communities of entrepreneurs. Teams should be enabled with appropriate support tools to bring about whatever changes are required to enable them to achieve their objectives and deliver value to their customers.

Those who endeavour to bring about ambitious and fundamental changes should expect to encounter setbacks. Persist. Be confident, determined, pragmatic and positive. Value constructive criticism and invite feedback. Don’t rationalise disappointment. Learn from it. Achieving transformational change is often easier and usually more satisfying than rationalising, managing and suffering the consequences of failure.

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Further information
*Winning Companies; Winning People, making it easy for average performers to adopt winning behaviours* by Colin Coulson-Thomas is published by Policy Publications (2007). It contains various checklists and guidance on how support tools can be used to enable ordinary performers to emulate the approaches of high achievers and can be ordered from www.policypublications.com.

Details of reports presenting critical success factors and winning ways identified by the Winning Companies; Winning People research programme and related bespoke benchmarking reports can be obtained from Prof Colin Coulson-Thomas by email: colinct@tiscali.co.uk and from www.policypublications.com.


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The Association will be present at the Project Challenge 2009 Exhibition at the NEC, on March 25 and 26, Stand 122 is that for Process Timing and Evaluation Systems and will represent a number of specialists in the accurate evaluation, quantification and improvement of industrial, commercial and administrative processes, including CWD and MTM.

The Association will be holding a business conference on Friday 23rd October 2009 at Springfield House, Grantham, further details of the event will be provided later in the year together with information about the speakers and lecture contents.

The Association Annual General Meeting will be held on 13 June 2009, at Tamworth, beginning at 10:30am, address details will be provided nearer the date, all MTM members will be advised separately.
Strategy: Rethinking the paradigm

By Dr John McManus, Dr Don White and Neil Botten.

The concept of strategy and strategic thinking applied to business is, in many ways, a legacy of old primary and secondary industries which were heavily reliant on labour and infrastructure. One of most influential writers on strategy in the last half of the 20th century is Igor Ansoff, whose treatise on Corporate Strategy set out a practical methodology for successfully formulating and implementing strategy. The essence of Ansoff’s work is that most strategic decisions are made within a restricting framework of resources and are therefore limited to a choice of alternatives. It could be argued that such decisions rely on continuity where the objective is to produce a resource allocation which will offer the best potential for meeting the firm’s objectives.

In contrast, the real challenge in crafting today’s strategies lie in the firm’s ability to detect subtle discontinuities that may undermine an organisation in the future. Such discontinuities are unexpected and irregular, essentially exceptional. They can be dealt with only by minds that are attuned to existing patterns, yet able to perceive important breaks in them. So who do these minds belong to?

Most of the literature of strategic management, as well as the popular press, has an answer to the question of who is responsible for strategy: the chief executive – chief executives like Joe McGrath of Unisys, who reinvented the organisation within 18 months of taking over as CEO in 2005. McGrath’s strategy focused on Unisys’ ‘innovation and technological strengths’. The plan was to focus its services and solutions portfolio on five fast-growing market segments by 2008.

**Unexpected market shifts**
Chief executives are facing similar challenges within their
Sustaining new and innovative strategic business is tough to accomplish without financial backing and time. Time is a competitive weapon, getting the product and service to market and getting immediate feedback is seen by many CEOs as a major business benefit. According to the IBM survey, strategic innovation allows companies to specialise and move more quickly to seize emerging growth opportunities. The combination of pressures from market risk, competition and innovation should power many firms into revisiting their strategic business models.

Innovation labour
One development which underpins this emerging paradigm is the growing division of innovation labour. The term innovation of labour is a system where one party develops an idea but does not carry this idea to market itself. Instead, that party partners with or sells the idea to another party, and this party carries the idea to market. One weakness within the existing strategic paradigm is that once a company develops an innovative strategy, it shifts its attention and emphasis on improving this strategy and making it better. Little or no attention is given to discovering new ways of innovating.

Constantinos Markides distinguishes between complementary and disruptive strategic innovation. The latter is the one that threatens the existing way of doing business and, as a result, is not very popular with established companies. Markides suggests that perhaps established companies can wait until somebody else comes up with the idea and then move to adopt the disruptive innovation and scale it up. To him, the ability to scale up an idea is as innovative and as important as coming up with the idea in the first place. He also proposes that to scale up such a disruptive innovation, the firm may want to separate the innovation into a different unit. However, he stresses that while separation has its advantages; it also has its disadvantages. Firms need to decide whether they will do this or not based on their individual circumstances.

The case of Proctor and Gamble
The drive to find new ways to add value is often premised, not just on finding or inventing a new business model, but in large scale change. Before such change can take place the management must agree on two key issues: (1) a vision of the way the firm will operate in the future and (2) the means by which it is achieved (which must exert a strong push).

When Proctor and Gamble was looking to recover from its poor share and market position in 2000, it needed to move from a closed model of business to one that was more open and flexible. In 2001, Proctor and Gamble underwent a dramatic business transformation, adopting ways of doing business coincide with one another. In the new emergent strategy, strategies often initially modest and even obscure emerge, as the people who develop the products and deliver the services solve little problems that merge into new initiatives.

Sustaining new and innovative strategic business is tough to accomplish without financial backing and time. As emphasised in a recent IBM survey, Expanding the Innovation Horizon, some 65% of chief executives and other business leaders agree that they will have to make fundamental changes in their business strategies over the next few years. A key message coming out of many board rooms is that innovation is indispensable.

One of the report’s key findings is that business model innovation is becoming the new strategic differentiator and the business model organisations ultimately choose will determine and influence the success or failure of their strategy. One of the key drivers here is the need to address unexpected market shifts and demographic changes. In effect, chief executives and their managers must engage on multiple levels where old and new organisations and markets.
open innovation and an open business model. It called the programme, ‘Connect and Develop’. The main objective was to look outside Proctor and Gamble’s corporate walls to find new products, technology, packaging, design, processes and business models.

One of Proctor and Gamble’s strengths is its network of technology entrepreneurs, who scour the globe for new ideas. Proctor and Gamble focuses its resources on specific countries for specific solutions. Proctor and Gamble’s open business model allows it the flexibility to learn from other industries and take this domain knowledge into competitor markets. Using this strategy, Proctor and Gamble can enable its operations to compete more cost efficiently. Under the new business model, anyone with a good business idea can approach Proctor and Gamble to take their innovation to market. Today Proctor and Gamble has 36,000 patents and more than 60,000 trademarks globally. It has a vast technology portfolio in chemistry, materials and biosciences, as well as know-how in information technology, manufacturing and consumer research.

Innovative business models
According to Magretta: “the creation of a business model strongly resembles the writing of a new story. To a certain extent, of course, all new stories are variations to older stories. They are new versions of the universal themes on which human experiences are based. Similarly, all new business models are variations to the general value chain that forms the basis of all businesses.”

In this sense, an organisation must have the vision and courage to change and move value into the market place. Proctor and Gamble realised it was stuck within a value chain that was weak – it needed to reinvent itself. Collaboration was a key element of Proctor and Gamble’s growth strategy and a key element of its business strategy. In achieving this turnaround, Proctor and Gamble paid attention to what Dutta and Segev call the market space.

In market space, two dimensions are important: (1) the technological capacity dimension and (2) the strategic business dimension. The strategic business dimension of the market space is based on the classical marketing model of product, price, promotion and placement. In essence, the model is typical and recursive in many organisations. The marketing view which supports this recursive model is competition. Although a good starting point, the real leverage comes from knowing and understanding your customers. It could be argued that a well conceived strategy is based on understanding the importance of the customer and not the strategic game itself.

Despite the overwhelming theory of management and the application of this theory to contemporary business models in the last two decades, little has been learnt to counter the on-going business failures in many international markets (including those caught up in the recent credit crunch). While we have witnessed new means of conducting business, the
example, turned the coffee industry upside-down by shifting its focus from commodity coffee sales to the emotional experience enjoyed by customers drinking their coffee. Howard Schultz launched Starbucks with a few coffee shops in Seattle, few realised that a new competitor had been born. At the heart of Starbucks’ early success was its customer relationship management strategy. Schultz’s unrestrained confidence, obsessive attention to detail, and focus on quality earned him a loyal customer following among America’s middle class and campus students.

Success, however, can breed complacency and by being so content with yourself, you lose the edge and intensity that got you where you are in the first place. The challenge here is relevance and currently few strategies survive a brush with reality. Opportunism is increasing, driving business innovation and change, and strategy is more and more a tool which helps CEOs justify how they respond to a threat or opportunity, rather than a means of identifying those opportunities. The idea here is not primarily to knockout the competition. It is about inventing games that are played outside the traditional boundaries. Unless a firm is able to think in completely new ways, and to move beyond what is accepted industry practice, it will not be able to flee head-to-head competition with its competitors. This is the means to developing new ideas and expanding the portfolio to include new customers that competitors were not even looking at.

Business opportunities
Some of the greatest business opportunities in recent times have come from the world of e-business. Information Technology Online (ITOL, 2002) research commissioned by the National Office of the Information Economy, concluded: “What we are witnessing in contemporary organisational life is the transformative opportunities wrought by technological changes, most recently through web-based technology and the Internet, shaking traditional foundations of organising and the very nature of organisations. Within such a context, organisational relationships, especially collaboration, is a crucial issue. While ‘we’ have seen a more than steady growth in collaborative activity around the globe over the past decade or so, developments in technology and, particularly, in e-business (or online business) seem to have escalated that growth.”

Consumers spend around 10% of their money online and online advertising is now a $16 billion business in the US. It is predicted that some $900 million will be spent on social networking sites in America this year alone. The role of online communities has become increasingly important to the success of e-business. The e-business enterprise’s capability for creativity and ability to leverage the community will determine if it loses or wins in the market-space.

Commercial success in e-business depends on organising and exploiting the potential of virtual communities. Their key argument is based on the premise that the fundamentals of competition remain unchanged.

The consumer interface
The application of a recursive strategic model within a growing and sophisticated consumer economy raises an interesting question about what in the customer’s world – economy, business, market – do we depend on? In order to answer this question, we have to be at one with the customer. Centralising the customer within our own universe provides a powerful insight for both parties.

In the process of managing customer relationships, one often encounters new ways of doing business which redefines the way the strategic game is played. Companies, such as Ryanair, Starbucks and Amazon, have become successful by changing the rules of the game. Starbucks, for example, turned the coffee industry upside-down by shifting its focus from commodity coffee sales to the emotional experience enjoyed by customers drinking their coffee. Howard Schultz launched Starbucks with a few coffee shops in Seattle, few realised that a new competitor had been born. At the heart of Starbucks’ early success was its customer relationship management strategy. Schultz’s unrestrained confidence, obsessive attention to detail, and focus on quality earned him a loyal customer following among America’s middle class and campus students.

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Business opportunities
Some of the greatest business opportunities in recent times have come from the world of e-business.
knowledge, content, and resources produced by online communities are extremely valuable commodities.

To take advantage of technology, firms must search for useful technologies that can advance their business model from whatever sources can provide the appropriate opportunities at the right time. When ideas connect directly to a company’s business model, they create additional power and leverage for other parts of the strategy.

Facebook, the social network site started by Mark Zuckerberg, is inventing new ways of reaching consumers and, as such, is attracting mature businesses, such as Coca-Cola, Conde Nast, General Motors, Nike and a host of other world-famous brand names to its site. The move away from traditional models of advertising, such as television, newspapers and other traditional media, to internet based models have assisted many companies in reaching a wider and diversified consumer based audience. Internet businesses collect a lot of personal data about their customers. Social network sites, such as Facebook, bring consumers together in ways that the traditional models do not. Consumers share their taste in music, books, films, their political views, as well as their location. All this information can potentially be turned into well-targeted advertising and consumer strategies.

Caution is the byword
A word of caution though – technology start-ups are often convinced they understand what the markets and needs of customers are. Often these companies don’t know how to manage strong growth or transition. When Google bought YouTube, the video-sharing website, there were a lot of complaints from users. Some lessons have, however, been learnt, unlike the first internet boom, the big media corporations have, in the main, stopped paying huge prices for online firms.

Google, has two core strategies, the first is to reinforce its existing revenue base, to keep pushing ahead and avoid becoming out manoeuvred by competitors. The second is to find new revenue streams. Google’s business model is based on providing information services to customers that it can advertise around the globe, to deliver added value to its shareholders.

Google’s future strategy possibly lies in brokering mobile content. It also has ambitions to move into micro transactions and micro payments, using the Checkout service. If Google gets its payment system into the mobile channel it will provide a serious revenue stream for the company.

Key message
One weakness within the existing strategic paradigm is that once a company develops an innovative strategy, it shifts its attention and emphasis on improving this strategy, on making it better. Little or no attention is given to discovering new ways of innovating. Firms must search for useful technologies that can advance their business model to provide the appropriate opportunities at the right time.

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1 Ansoff, I, (1990), Implementing Strategic Management, New Jersey, Prentice-Hall.
6 Interview with Peter Norvig, director of research for Google, Computing, November 2007, p30.
The role of shared services

Ian Herbert and Will Seal trace the development of the multi-national company and the role of shared service centres in promoting efficiency and effectiveness.

“The further we look back in time, the more clearly we might see the future.”
Winston Churchill

The chief rationale for the multi-divisional (M-form) corporation is to improve decision making within divisionalised business units, whilst maintaining control and presenting a coherent financial strategy to investors. Thus, the development of policy at corporate level is separated from local, market focused management. Further roles of top management are to allocate resources between divisions and to monitor progress of individual divisions against their plans – usually based upon return on investment. To develop and orchestrate group policies, certain support functions, such as HR and accounting, are based within head office and the officials act as a channel of communication with divisions and aggregate operating information for top management.

Centralisation
In the 1970s, the emergence of mainframe computers created a further impetus towards centralisation. The enhanced data processing capability enabled more detailed and timely information to be provided to top management and this created opportunities for the centre to become more proactive in divisional affairs. There was also a physical dimension to the shifting loci of control; hardware and software were expensive and complex to operate with the result that a single mainframe tended to be located at head office. Thus, central direction and hierarchical control over divisions was strengthened and one consequence of this ‘management by remote control’ was that otherwise disparate business segments could be moulded into a
摘录自："... outsourcing became a key feature of both public and private sector approaches to increasing process efficiency and organisational effectiveness"

'corporate conglomerate', for example, the UK-based GEC PLC or Hanson PLC.

The inevitable duplication of resources between the divisions, and between head office and divisions, could be tolerated within an overall scheme based on leveraging economies of scale across a portfolio of 'investments'. Moreover, with a multitude of activities within a single hierarchy, the costs of inter-activity transactions were minimised to the benefit of the overall corporation. However, over time the remoteness of the central staff from the business units created a tendency for the already bureaucratic structure, based upon specialist individual roles and division of duties, to develop into a more negative 'ivory tower' mindset which, eventually, could outweigh the overall benefits.

Close to the customer

In the 1980s and 1990s, the challenge from low cost, high quality, Japanese manufacturers led Western organisations to delay and flatten the extended hierarchical chains of command that caused communication to be slow and decision making to be unwieldy. Simultaneously, the personal computer revolution and the ubiquitous spreadsheet enabled dispersed data processing and analysis. This, together with New Working Practices, encouraged divisions to think local, get close to the customer, and to choose 'best of breed' systems appropriate to the situation.

Effectiveness through empowerment and responsiveness was the new order, rather than crude, head office driven, control over costs and cash. Knowledge, and hence power, was now in the divisions and it was left to head office to make what sense they could of data consolidated from disparate legacy systems. Consequently, the central support functions tended to be dismantled and embedded within individual divisions; duplication of systems and processes was tolerated in the new market facing model. Indeed, some well-known industrial conglomerates were unbundled and repackaged as a number of individual companies, eg, ICI PLC hiving off the pharmaceutical division Zeneca in 1993. This decentralisation phase caused some to claim that the M-form had become an organisational fossil, but there was life in it yet!

The joined-up company

As markets became more global, a renewed concern for efficiency led to the 'joined-up' company seeking economies of scale through 'fleet-wide' management of resources across divisions; the sub-plot of greater central control was downplayed, at least publicly. A new generation of IT systems, including enterprise resource planning (ERP), data warehousing and corporate intranets, sought to reduce cost through the standardisation of routines and the elimination of process duplication, both between divisions and between divisions and head office. Both SSCs and ERPs can strengthen corporate governance by providing a common toolset and nomenclature to level cross-cultural differences.

Outsourcing

A parallel development was a rethinking of the basic premise of the firm in terms of the distinction between its core and non-core activities, with the latter being commoditised into task sets that could be bought-in from the lowest bidder. Tom Peters famously encouraged companies to 'outsource everything but their soul' and whilst the principle of outsourcing is by no means a new phenomenon, there emerged a new industry of third-party service providers who had both the scale and expertise to operate the new overarching IT systems.

Fibre optic communications enabled service providers to access arbitrage opportunities for labour and infrastructure in nearshore or offshore locations. This allowed the higher cost of administering transactions between the parties to be tolerated. Thus, outsourcing became a key feature of both public and private sector approaches to increasing process efficiency and organisational effectiveness. Although, as far back as 1990, Prahalad and Hamel cautioned against outsourcing expertise from across the divisions that, taken together, could become a core competence for the organisation.

The best of both worlds?

An alternative approach to outsourcing is the emerging concept of the Shared Service Centre, for which it is claimed that by concentrating service activities in one site, specially chosen for the purpose, the SSC can also reduce costs, improve service quality, justify better IT and engender a quasi-market orientation. Perhaps more significantly, both control and knowledge remains located within the hierarchy of the firm.

Additionally, SSCs should
enable a clearer focus on the core, scalability and greater transparency through standardisation of routines and consistent consolidation of information. Moreover, moving to a new location, with new people, provides an opportunity to ‘break the mould’ and facilitate transformational change. The aggregation of otherwise disparate support activities, within an arm’s length, customer-focused, SSC should also serve as an overarching integration mechanism by co-ordinating lateral information flows across the divisions, and between the centre and divisions (Ulbrich, 2006: 192). ‘HO’ became less associated with ‘Head Office’, and more with ‘Horizontal Organisation’.

Various writers have claimed that SSCs can increase the overall effectiveness of the organisation (Schulman, et al, 1999; Leach, 2004). Malcolm (1999) describes the development of SSCs as a part of the wider process of corporate restructuring comprising three distinct but overlapping phases, centralisation (1950-86), decentralisation (1980-99) and SSCs (1985-1999).

Thus, the SSC, with its twin foci on divisions and the overall group, can be positioned as a hybrid form between the traditional head office centralisation and third-party outsourcing model based on contractual relationships.

**A fad?**

Cynics might argue that the SSC is just another manifestation of centralisation, dressed up as a ‘corporate lite’ approach, and as such will prove to be just another management fad. However, our research project is discovering that in those organisations that have embraced the shared service concept most, although not all, people do see the SSC as having a distinct and enduring rationale centred upon a customer service ethos underpinned by regular customer/supplier forums. Table 1 seeks to capture the distinctiveness of the SSC model in terms of its main characteristics when contrasted with the traditional, self-serving, head office.

<table>
<thead>
<tr>
<th>Output focus</th>
<th>Traditional Head Office</th>
<th>SSC</th>
</tr>
</thead>
<tbody>
<tr>
<td>Self-serving (for top management)</td>
<td>Customer centred (for business divisions)</td>
<td></td>
</tr>
<tr>
<td>Input focus</td>
<td>Functional leaning Specialist, role focused</td>
<td>Process centred Specialist – centres of excellence also multi-skilled – task focused</td>
</tr>
<tr>
<td>Location</td>
<td>Within HO campus</td>
<td>Separate site, physically remote</td>
</tr>
<tr>
<td>Governance</td>
<td>Hierarchical</td>
<td>Arm’s length – quasi-market</td>
</tr>
<tr>
<td>- relations with divisions</td>
<td>Formal role, impersonal relations No choice for divisions</td>
<td>Contractual (Service Level Agreement): underpinned by personal relationships Divisions have choice of provider or influence over SSC</td>
</tr>
<tr>
<td>- with head office</td>
<td>Report to multiple HO directors Staff responsibility to divisions Person (role) specific in HO</td>
<td>Semi-autonomous Report to multiple divisional contacts Report to one main board director Call centre ‘one stop shop’ not person specific</td>
</tr>
<tr>
<td>Objectives</td>
<td>Co-ordination and control</td>
<td>Process efficiency through BPR &amp; eliminate duplicate tasks Divisional focus on core activities</td>
</tr>
<tr>
<td>Outlook/culture</td>
<td>Back-office, passive, reactive Skills and infrastructure ‘good enough’</td>
<td>Back-office, reactive But also, front-office, proactive Continual improvement</td>
</tr>
<tr>
<td>Cost recharge</td>
<td>Carried as central cost or apportioned on an arbitrary or equitable basis – objective being to minimise transaction costs &amp; leverage of divisions</td>
<td>- Unit charges per activity or output. - Allocated per division on the basis of traceable captive resources - or apportioned on equitable basis</td>
</tr>
<tr>
<td>IT/IS</td>
<td>Consolidation is main focus – spreadsheet interfaces with divisional ‘best of breed’ systems.</td>
<td>Enterprise wide (ERP) Standardisation of inputs/outputs, processes and communication protocols</td>
</tr>
</tbody>
</table>

Table 1: SSC v Head Office – characteristics

“This decentralisation phase caused some to claim that the M-form had become an organisational fossil, but there was life in it yet!”

That a common frustration of shared service managers was that divisional managers tend to see the SSC as simply an overhead cost rather than the bigger vision of business partnering. The hypothetical situation outlined in the panel on the following page gives a flavour of the issues.
Davina had worked as an HR manager in a division of Unicorp PLC before being asked to head up the HR function in the SSC. “It’s been an interesting and exciting time,” she told us. “We’ve completely transformed the whole concept of what HR does in this company and created a centre of excellence focused on the needs of our customers, the divisional business units. Moreover, for individual HR staff, there is now a proper career ladder within the SSC.”

The initial revolutionary change at Unicorp had developed into a culture of continuous improvement within the SSC. The business unit management had largely been won over and further activities had been migrated to the SSC. However, as the divisions themselves became subject to greater commercial pressures they started to query the recharges from the SSC.

However, five years after the SSC had been created, Davina was expressing an increasing sense of frustration. “I seem to be engaged in a constant PR campaign,” she said. “I should be spending more time improving the service but instead I feel more like a sales rep. Divisional directors are not saying that the service is bad, but that they don’t like paying for it. They constantly question whether they’re getting value for money.

“Monthly Service Level Agreement meetings invariably get bogged down in detail and we don’t get the opportunity to step back and reflect on the bigger picture, what shared services is trying to do and how it can best help the business. Often divisional managers complain about things they know we can do nothing about because the policy is set at board level”.

At a recent board meeting one divisional director challenged the whole notion of the company’s SSC. “Tell me why should we do it?” she said, adding, “Why don’t we just contract the whole thing out, now of course that we have sorted out the systems and processes?”

Response
The challenge for Davina and her colleagues is to justify the SSC by explaining how the SSC can add value to the group in the long term and is not either ‘back-door’ centralisation or a milestone on the road to outsourcing. In short, they need to market the concept of the SSC and more actively sell its services. This will allow them to secure long term sponsorship from top management and buy-in from the more vocal critics. But, such a business-facing, ‘front office’, orientation may not come naturally to functional managers who have traditionally been accustomed to operating in a back-office staff role.

Feedback and liaison
Firstly, the SSC needs to deliver service support with minimum hassle; that is the routine, reactive, transaction processing work. For example, suppliers need paying for goods and employees need contracts of employment. Such administration tasks tend to be the ‘bread and butter’ of the SSC and a selling orientation is required both to convince divisions that they should use the SSC in the first place and to ensure that they remain customers. This latter aspect is not simply about raw persuasion but rather involves continual feedback and liaison. Selling is about getting to really know the customer and sorting any service issues before they become a problem. This is the key distinction between the passive, bureaucratic, head office disposition and the customer focused SSC approach.

If Service Level Agreements (SLA) are used then these will form the basis of the day-to-day relationship but it is important to note that SLAs will always be something of an ideal and a constant process of mutual adjustment will be required to ensure smooth running of the service and continual adaptation to changing operational imperatives. Thus continuous improvement, balancing divisional flexibility with concern for corporate standardisation, is a key distinction with third party outsourcing where evolution can be impeded by a contractual straightjacket. Whilst participation in the SSC is likely to be mandatory, it should never be assumed that divisions might ultimately be able to opt out or outsource their needs if not satisfied.
Secondly, **marketing**, in its widest sense, is about anticipating needs and then providing appropriate services to fulfill those needs. The SSC has customers to satisfy and, if it is to be a true business partner, then in addition to delivering services, it will need to proactively diagnose problems and design solutions. And, in true marketing style, suggest solutions to problems that the divisions might not yet know they have! The question the SSC staff need to ask, and keep asking, is ‘what’s keeping my customers awake at night?’

For example, new software applications for HR systems may allow divisions to be more efficient in, say, monitoring and supporting new starters. Perhaps, in conjunction with IS colleagues, the SSC can raise awareness of the possibilities and propose solutions. In other words, the SSC can operate across a number of dimensions, rather than simply fulfilling routine tasks and reacting only to known problems.

The framework in Figure 1 helps a SSC to map its services such that the range of intervention styles can be seen more clearly and thus explained to divisional colleagues. Some typical tasks are depicted for illustration of the progression across delivery, diagnosis and design.

**Summary**

To summarise, shared services can be seen as a part of the evolving story of the M-form company and not just about operational expediency in the short term. Designed and explained properly, it can have a real purpose, a mission. It can go beyond simply cutting headcount or being a halfway house to third party outsourcing. Fully developed, it can underpin corporate governance by operating as a quasi-commercial business with a clear set of negotiated SLAs. It also adds value by uncluttering front-line divisions, whilst retaining knowledge, sharing best practice and improving governance and control over the way in which the overall company does what it does. Tension between the SSC and divisional directors is natural. It is a part of a recursive process of feedback, adjustment and improvement. Without it, services would not be continually improved and could ultimately become misaligned with the business.

This article is based upon a research paper presently in preparation and comments are welcome. The paper is available at www.lboro.ac.uk or by emailing i.p.herbert@lboro.ac.uk. The research was supported by the Chartered Institute of Management Accountants.

**Figure 1: Shared service mapping matrix**

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**Further reading:**


**References:**


Malcolm, I, (1999), *Shared Services: re-run of an old movie or part of a continuing revolution?* Management Accounting, December, CIMA.


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