On the Up
Is higher productivity possible in the Caribbean?
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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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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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**Cover Story**

John Heap reports back from his keynote presentation at a recent conference in Barbados, where he addressed the question of higher productivity and issues of labour-management structural co-operation for profitability.
It is my pleasure to once again be writing to the membership and updating you on Institute matters. In this issue of the Journal you will find the statement of accounts for 2009. You will see that our Institute remains financially very strong with available reserves of £453,741 and still our members continue to enjoy free life membership of the Institute. The decision to move towards life membership must surely be one of the most significant decisions ever taken by the Institute and has certainly been a major financial benefit to members.

In recent months we have appointed a new webmaster, so we look forward to a re-vamped and more exciting Institute website. The new Webmaster would welcome any views you may have for improving the website. He may be contacted using the contact page on the website.

We should be running lean and efficient organisations at all levels of Government, but reduced staff levels without increased efficiency and improved procedures will only result in poorer services for the public by the Institute and has certainly been a major financial benefit to members.

It is sad to report that Geoff Mansfield has found it necessary to resign from the Institute Council due to family and work commitments. Geoff will be greatly missed, as he was always a keen supporter of Council and always willing to take responsibility for progressing projects.

When I last wrote I spoke of the General Election and the new coalition Government and as predicted the workforce at Whitehall and in local government is to be greatly reduced. It would appear that the Government wishes to reduce its £156 billion budget deficit by reducing labour costs with the prospect of 300,000 Whitehall and local government job losses. The staff reductions are perhaps not as a responsible Institute would wish to see them – by increased efficiency and based upon sound work measurement techniques, but rather the cost savings are being made by slashing departmental budgets which will mainly be achieved by reducing staff numbers. Certainly some of the savings are long overdue especially in the reduction of the number of Quangos, which should save in the region of £513 million.

A review of Quangos is perhaps overdue, as the previous Labour Government seemed hell bent on forming Quangos for almost everything. Clearly savings can be made in Whitehall departments. Is it realistic that in the Ministry of Defence for every fighting man we have two desk bound staff? Equally how can the British Navy have more Admirals than it has ships? Even in our own local areas we are seeing job losses in our local Town Halls. Clearly we should be running lean and efficient organisations at all levels of Government, but reduced staff levels without increased efficiency and improved procedures will only result in poorer services for the public. Also how is the Government going to address the fact that almost eight million people in the UK are on Benefits at enormous expense to the country? We now have two or three generations who have never been in gainful employment nor do many of these people ever intend seeking employment. It would be a very brave Government that would seek to reduce or stop benefits for eight million electors.

The World Confederation of Productivity Science of which our own Institute was a founder member will be holding its 2010 Congress in Belek, Turkey in November. This is the premier global convention dealing with productivity development. And full details can be found on their website at www.wpc-epc2010.org.

Our 2010 Institute AGM will be held on 22 October at the George Hotel in Lichfield and all members are welcome to attend. Fuller details of the AGM are contained within this Journal. I hope you will try to attend.

As always I am available if any member wishes to contact me to discuss any matter; my email address is blanch2203@googlemail.com.

David Blanchflower
Chairman
Memory lane

Recollection of Working Days was the title of a talk given by Robert Fletcher to an appreciative audience of the Probus Group and invited IMS members on 22 July.

Bob, whose working career began in the 1930s, started as an apprentice engineer with Dobson and Barlow. He brought some of the artefacts of those days with him: machine drawings, a micrometer and a precision toolmaker’s block which he had made himself from old steel carburized, hardened and ground.

Later he got involved in ratefixing before moving with his family to India. He described the situation; the desert, the jungle, the river with its side channel to supply the watermill, which provided the power needs for the factory and the village. The factory was a mill which spun cotton. He told us that the climate was just right for cotton, hot and humid. The snag was that the watermill only worked during monsoon season. Outside the monsoon period, the villagers were out of work and had to manage the best they could.

Robert had many amusing anecdotes about wildlife getting into their bungalow, such as snakes, lizards and monkeys.

After three years, Bob returned to the UK and took up a position with the Cotton Board, where he remained for eight years. After this he moved into education, attaining the requisite teaching qualifications first.

He joined Oldham College of Technology as senior lecturer at the Bolton Institute of Higher Education.

Bob retired in 1985, but has remained active in Institute affairs. In 2007 he was made an honorary fellow of the IMS.

In conclusion, on behalf of the members, Mr D Bell thanked Bob for a fascinating account of his experiences in work study, consultancy, management and teaching.

Website changes

The Institute has appointed webmaster David Lusty to update and maintain its website. David first joined the Institute of Work Study Practitioners in 1967 and is an MMS(Dip), so he knows his way around most of the site’s content.

The immediate brief is to make the content and appearance of the site more appealing. Some work has already been done, but the most obvious changes will be introduced this Autumn.

Navigation will be improved and learning opportunities provided through the use of links embedded in the text and side links to related topics.

Then the IMS plans to improve its search engine rankings to make the site as effective as possible in spreading the IMS message and growing membership.

When the initial improvements are complete, David will regularly update the site to reflect events and new developments in techniques and practice, and produce a quarterly newsletter to all members of the Institute e-group with news and ideas linked to the site.

If you would like to join the e-group, please contact Mrs Lynette Gill at Brooke House, 24 Dam Street, Lichfield, Staffs WS13 6AA, tel: 01543 266909, email: admin@ims-stowe.fsnet.co.uk. Your suggestions would be very welcome.

The contact link on the site’s main menu now leads to a choice between contacting the Institute and the webmaster, so please use the dedicated webmaster contact form to let David know how you think the website should operate.

Tell him about missing or out-of-date content, or alert him to anything you think may be of interest to members or other site visitors.

Keep an eye on progress by regularly visiting the site at www.ims-productivity.com.
Regional News

North West Region

A visit to Jodrell Bank Observatory
On 7 July, members and guests of the IMS NW Region arrived at the Jodrell Bank Visitor Centre and were enlightened by scientific wonder and political intrigue.

Our guide, Eric had exceptional knowledge of the world famous ‘Lovell Radio Telescope’ and proved both entertaining and informative.

The facilities of the centre included: 3D Theatre, exhibition room, 35 acres of arboretum, café and shop.

The history of Jodrell Bank was explained in detail and mainly involved its founder – Sir Bernard Lovell. In 1936 Sir Bernard obtained his PhD in physics, having studied at Bristol University. He then worked with the ‘Cosmic Ray’ research team at the University of Manchester, until the outbreak of war.

When the Second World War began, Sir Bernard became involved with the war effort and defence. In particular his early interests included radar, and its development. During the war around 6000 Doodlebugs, otherwise known as V-1 flying bombs, were launched over the southern part of England, mainly London, and 4000 of them were shot down by the Spitfire and other aircraft.

Its successor, the V-2, was in effect the first intercontinental ballistic missile. Using his radar-units, Lovell was able to calculate the landing area (i.e., trajectory) of the missiles.

Anti Aircraft Command allowed Bernard Lovell to borrow a few mobile ‘Radio Aircraft Detectors’ and using the apparatus he located the Botanical Research Centre in Cheshire, which was owned by the Jodrell family. The site proved ideal for relatively interference free reception. In August 1957 the centre was completed but was in serious financial debt.

The Soviet Space Program launched the Luna 9 Probe on 31 January 1966 to compound their lead in the Space Race with the USA. It was the first unmanned spacecraft to soft-land on the Moon.

On 3 February 1966, Jodrell Bank received signals from the Luna 9 Probe which were successfully transformed into printable data. Subsequently Jodrell Bank became famous for being the first establishment in the world to receive and print close-up pictures of the surface of the Moon. This achievement caused grave concerns to Russia having had its transmissions intercepted, but stamped the success of Jodrell Bank and the USA gave major financial backing, thus relieving their debt problems.

To this day, at the age of 96, Sir Bernard Lovell still calls in at the centre ‘to check on progress’.

The introductory talk was followed by an illustrative and realistic 3D movie, featuring a return journey to Mars.

An alternative 3D film available, explored our Solar System and its planets.

Before leaving, our guide was thanked for giving a fascinating speech in such an exhilarating manner.

Harry Hogg

Scottish region

This year’s API (Association of Professional Institutes) games night will be held on Friday 26 November 2010 at the New Club Kirkcaldy, 7:30 for 8pm.

Once again, all excess monies collected on the night will be donated to Children in Need. For further information, contact Bob Smith, Scottish Region Chairman on 01592 758252.

Loss of ‘esteemed friend’ Frank Booth
Colleagues of the NW Region were extremely saddened by the death, on 31 July, of an esteemed friend Frank Booth. He was an active officer of the regional board and previously of the Bolton branch board. He was well liked by all and engaged in meetings and social events, which he attended with his wife Mavis. We of the NW Region will sorely miss Frank.

Bob Fletcher

AGM
NW Region AGM
• 6 November
• 10 for 10.15am
• Rigbye Arms, 2
  Whittle Lane, High Moor, Wrightington
  WN6 9QB
Chairman Kevan Kelly
  01257 271066
Secretary Harry Hogg
  01942 863776

News
It’s the right time for time standards

Readers of this Journal will understand the classic reasons for time standards – manning, planning, costing, targeting and all kinds of performance measures – and therefore welcome the now regular increase in their stature and credibility.

As a provider of productivity specialists to all sectors, Scott-Grant quote a few recent examples to illustrate that the need for sophistication in the application of time data is becoming highly significant.

A major aerospace manufacturer was looking for ways to be more competitive as they approached a significant contract renewal. In monitoring the sequence of processes in the work in question, a productivity specialist identified some significant facts: because of the layout in the area, in five days over 4500 steps were walked by operatives, carrying nothing, so adding no value at all. Based on a 60 man/day shift operation it equated to a one third total wasted capacity.

Already applying industrial engineering techniques to derive time standards throughout an international automotive manufacturer seemed encouraging. But it transpired that the time standards were being generated in a number of different ways so the company had no consistent basis for comparison. They needed an accurate and consistent way to identify differences in measurement, not in approach, which they now have by using the MOST®

technique throughout their organisation in ten different countries.

By contrast, a high volume manufacturer was operating their manufacturing process in line with lean principles and had a matrix of time values for all their different activities for manning, planning, costing etc, as described above. They had justified the need for a lot of new plant but found that their recent investment just hadn’t created the planned capacities. It took an external productivity specialist to help them identify the cause, viz that they didn’t know which were their critical operations. By reviewing as much of their time data as possible, the specialist was able to replace it with time standards to enable them to identify the bottlenecks in the manufacturing process and improve and release further capacity.

Many people responsible for production lines or processes know instinctively that they should be able to get more out of their equipment or their people

A major food manufacturer needed accurate data to assess whether they could derive sufficient benefit from an investment of £850,000 to install a new conveyor system. A number of variations to the packaging had been introduced to respond to different retail spaces available in supermarkets, filling stations etc. The need to increase capacity and throughput to meet current equipment. Using accurate and consistent time standards and other industrial engineering techniques they were able to prove there was no need for further investment.

The 21st century industrial engineer is one who has a comprehensive toolbag of techniques to enable them to determine consistent and accurate time standards and apply the data in a correct and meaningful way. Having built a database of structured time standards, the delighted managing director of a hi-tech finishing plant confirmed they had seen ‘a staggering 92% increase in our productivity’.

Meaningful time standards are the backbone of industry, across all sectors. The speed with which accurate time data can be generated and applied nowadays is particularly impressive. When they are used correctly, time standards will streamline operations, create efficiencies and improve performance and processes. They surely are just what businesses in this and every country need. The time for time standards is now.
The external effects of performance management systems (PMS) – really, downstream impacts – are reflected in customers’ satisfaction, company reputation, plus regulators’ and local councils’ satisfaction. (Figure 1 below)

Our analysis shows that PMS improved EDF Energy customers’ perception. Months after the PMS implementation, service trends show that customers notice the difference in service delivery. In some areas, complaint letters decreased and commendatory letters increased. Consequently, PMS has improved EDF Energy’s reputation and image among institutions and competitors.

For example, take the comment from a DTI manager that: “The DTI regards EDF Energy as a company which has moved on from the traditional way energy companies operate to a business focused on service performance.”

Despite some other researchers’ findings, our research shows that it is extremely difficult to isolate the financial impact of PMS from other concurrent management initiatives. Our analysis of the effect of PMS on EDF Energy’s profitability did not show any clear pattern so far. The logic might suggest that EDF Energy should have improved its profitability by enhancing productivity, customers’ satisfaction and corporate reputation as a result of the use of PMS; however, the hard (financial) evidence does not convincingly support this proposition yet.

The vast majority of interviewees believe positive financial effects will come through within the next three to four years.

Early data shows that PMS has had some benefits on stakeholder relationships.

**Figure 1. EDF Energy’s External effects of PMS**
Table 3 – Top seven negative effects of PMS
1. Time consuming.
2. Demands considerable financial investment.
3. Too many measures make PMS bureaucratic.
4. Over-complicated measures – difficult to understand and manage.
5. Misleading prioritisation – ‘red’ measures can divert attention from most critical measures.
7. Monotonous – managers have to continuously refresh the way in which performance is reviewed.

In particular, city councils and contractors are more responsive about the expectations of different parties in relation to EDF Energy contracts and performance communication is considered to be more effective. For example, a manager explained that as a result of a joint scorecard with a city council, EDF Energy now has a clearer idea of the city council’s particular priorities for restoring the service in the event of a supply fault.

Negative effects of PMS in EDF Energy’s performance: the problems
EDF Energy has also identified, through this analysis, a few negative impacts too. The Top 7 negative effects of PMS from our data analysis are highlighted in Table 3.

The most significant of these is that some of EDF Energy’s employees found PMS to be too time-consuming, especially at the initial implementation stage, because the benefits were then uncertain.

They did not know the new process and therefore everything was difficult to remember and implied more work to be done.

EDF Energy’s experience also shows that ‘over-complicated measures’ become difficult to understand and manage. They make employees lose attention and interest in them. EDF Energy’s learning experience shows that 12 to 20 simple measures are the optimal number to keep employees interested, and these helped to focus them on the key business issues.

EDF Energy’s staff also thought that ‘misleading prioritisation’ is one of PMS’s main drawbacks. That is illustrated when a ‘red’ measure flashes (in a traffic-lights reporting visualisation) it gets people’s attention, focus and resources – even though this measure might not be as important as other measures in ‘green’. In this way, resources and attention can easily be diverted away from potentially more vital measures.

At the strategic level, some of EDF Energy’s senior managers found that PMS can be somewhat mechanistic – thereby limiting the freedom for intuitive management. At the tactical level too, the performance review process of PMS can be quite monotonous. This means that managers have to continuously refresh the way in which performance is reviewed to keep it interesting and attractive. Hence the leadership role of local managers plays a key role in the success of the performance management systems;

“The overriding perception was that the effort and resources that EDF Energy invested in... provided a real and substantial payback over time”
moreover, they are crucial to moderating the outcomes of PMS implementation too.

Benefits from performance management reviews (Figure 2 page 10)
The ‘agency theory’ of the firm (an academic construct about dependencies) suggests that organisations implementing performance reviews seek to control their employees’ performance, and so the firm’s efficiency and effectiveness and therefore its financial results and attractiveness to stakeholders – not least its customers and investors.

Our previous research shows that firms could obtain additional benefits from performance reviews on ‘the internal way their organisations perform’, since this is a dependency of these firms’ productivity, profitability and reputation.

Our findings at EDF Energy show that performance reviews at operational levels have the power to:
- Drive new routines and practices, and eventually drive cultural changes;
- Change people’s behaviours;
- Develop key competencies;
- Make operational improvements;
- Improve business results;
- Refresh the whole organisation bottom-up;
- Create hard-to-replicate skills;
- Drive organisational learning.

Performance reviews at executive level have the power to:
- Improve management capabilities;
- Improve people management skills.

The implications for practice are:
- Performance reviews have a direct effect on the internal way organisations perform, which influences firms’ sustainable competitive advantage;
- Managers should consider the deployment of performance reviews to operational levels to ‘liberate the full potential’ of their PMS;
- Organisations that identify and understand the factors that positively affect performance reviews have more opportunities to maximise their results;
- Organisations implementing performance reviews only at managerial levels are potentially missing more than 50% of their benefits.

Factors moderating the benefits of PMS in EDF Energy
Our analysis identified seven factors that influence the

![Figure 2](image)

![Figure 3](image)
“The business unit with almost three years more experience in PMS shows better ability on the solutions provided”

PMS effects on EDF Energy’s performance. They are:
1. Corporate principles and values;
2. Local leadership;
3. Top management commitment;
4. Maturity of PMS;
5. Underpinning performance management reviews;
6. Accuracy of measures;
7. Involvement of employees in the solutions of operational problems.

The first three factors are related to EDF Energy’s leadership and management and the last four factors to the PMS use and design. The following figure highlights these factors. (figure 3)

Corporate principles and values
EDF Energy’s cultural change, from a reactive to proactive mode of action, has transformed its principles and values. In particular, our research identified that its ‘tolerance to failure’ is a key factor that affects the success of PMS, for example, employees feel less threatened and are more open to talking about aspects of performance. This creates a different working environment where people are prepared to take some risks, create new approaches to improve performance, challenge their targets, and so on.

It is impossible to fully quantify the full impact of this significant difference in attitudes, other than to acknowledge that it exists and that it is perceived as a positive force.

Local leadership
We refer here to local leadership as the leadership executed by business unit managers, functional managers and team leaders.

We found that local leadership has great influence on the PMS success. We analysed three EDF Energy business units with similar operations, scorecards, measures, targets, etc.

We identified that one particular business unit excels in productivity, development of action plans and operational improvements. After comparing these three business units, our analysis concluded that the local leadership was the factor that differentiates this one’s exceptional performance.

We realised that people working in this particular business unit are more engaged with PMS, motivated through different (non-financial) incentives. For example, the business unit’s leader edits a local newsletter distributing news about performance and targets, congratulating teams that over-perform, organising drinks out to celebrate performance, creating groups of best performers, etc.

This leader appears to have a mental model of how to encourage people to use PMS and achieve targets.

Maturity of PMS
Our analysis of the different effects of PMS shows that the level of PMS maturity affects
the results of performance measurement systems. Firstly, our analysis shows that there is a close correlation between PMS maturity and the degree of improvements and changes.

Second, our research also shows a correlation between PMS maturity and analytical thinking. The business unit with more experience in PMS uses the scorecard to support the development of new techniques. One of them is the ‘live line technique’ that improves service delivery during maintenance or faults and reduces penalty costs. In summary, we identified a preliminary pattern: the higher the PMS maturity – and so confidence in applying data to help achieve better performance solutions and operational improvement – the more successful these business units are likely to be. This factor definitely warrants further study.

Top management commitment
We identified that top management commitment brings formality to the performance management reviews and so influences employees’ commitment to achieve targets and improve performance.

Measurement design and deployment
An implicit factor in the design and deployment of the scorecard is the ‘autonomy with guidance’ principle for measurement design. In other words, it is the autonomy that employees have for creating and aligning their own measures (based on their operations) to strategic objectives and targets set by the higher level scorecards. This factor has a great impact on employees’ learning, commitment, contribution to solutions and understanding of the business. This factor ensures that the business learning spreads within the company. In doing so, the learning does not remain in just a few employees, a department or even a consultancy, but instead it becomes an integral part of the operational performance of the organisation.

Performance management review policies
Our analysis identified that the policies for performance management reviews, (in particular those underlying the rules around frequency of review, review panel and review content) have an influential effect on:

(a) employees taking responsibility for their actions
(b) behaviour towards target completion and development of action plans
(c) forcing employees to raise their own performance (outcomes)
(d) providing formality to the scorecard process, and
(e) focusing people on key issues.

Approach of the performance management team
The research shows that the performance management team facilitates the performance management reviews. They support the development of scorecards

“An implicit factor in the design and deployment of the scorecard is the ‘autonomy with guidance’ principle for measurement design”
and strategy maps, set policies
and protocols of performance
reviews and coordinate the
performance reviews.

For instance, this team
created the best practice’s
fertilisation scheme to inform
employees about new practices
and recognised teams, and
which provided those best
practices. This approach
enhances an employee’s
capabilities in the learning
process of new practices and
development skills such as data
analysis, interpretation and
usage. Hence the knowledge
belongs to people and not
to one specific department.
This approach increases the
employee’s accountability,
ownership and motivation.

A retrospective view of
the PMS implementation
at EDF Energy

Lastly, EDF Energy’s managers
were asked a retrospective
question in order to assess
the overall effects of their
performance management
systems: If you had the
opportunity to implement
PMS again, would you do so?

Interestingly, nobody said
no – every one of the 36
interviewees would implement
PMS again without hesitation.
Why? Generally, they pointed
out that PMS has provided
focus and a different way
to operate their business.

The over-riding perception
was that the effort and
resources that EDF Energy
invested in enhanced
performance measurement
and management systems
provided a real and substantial
payback over time.

Our conclusions are that
PMS implementation is not
an easy route to success (and
most worthwhile things do
not fall into that category).

It requires perseverance,
large doses of encouragement,
management listening in
order to iron-out some initial
implementation glitches,
the quantification of largely
intangible benefits, and
patience for the realisation of
tangible outcomes. But it is
worth it most of all for aligning
management and staff efforts
with the organisation’s
strategic objectives.

That is one enormous return
on investment that company
finance directors need to be
aware of when considering
such initiative budgets.

Conclusions and forward-
looking suggestions

The survey results show
the effects of performance
measurement and management
on an average manufacturing
and service organisation.

Using this as a benchmark,
organisations can compare
their PMS effects on the Survey
Results and identify their
own effects. It will help them
understand what effects can
be maximised and what others
should be minimised.

In this case, EDF Energy
currently has the right
attitudes, behaviours and
routines to enable it to sustain
a competitive position in its
market. So far, the company
has done the hard work of
designing and implementing
its PMS. However, it will be
important for management to
understand the longer-term
lifecycle of its PMS. The next
step is to bring the system
to maturity; ie, learning from it,
enhancing its shortcomings and
ensuring its full deployment.
Once everybody makes PMS
part of their lives, the company
can move on to developing
smart ideas to better exploit its
potential.

PMS is a dynamic system
and so its re-vitalisation will
be essential to supporting
EDF Energy’s future success.
It is important also for the
company to understand the
PMS effects – both positive
and negative – so that they
can be conscious of their
management’s views at all
levels. Positive effects can be
internal or external, and there
tends to be a lag from internal
to external benefits. Hence
the company’s challenge is to
develop and extrapolate the
positive internal effects of PMS
into more external ones as
soon as possible. It is important
to bear in mind too that the
positive internal effects are
the drivers of a sustainable
competitive advantage for the
firm.

This leads us to our next
point, which is that this can
only be achieved by gaining
a real understanding of the
factors that influence the
PMS effects and so their
downstream impacts. In doing
so, the company can begin to
optimise its results. Evidence
shows that it is important for
the company to understand
the learning cycle of their
PMS so that it can better
manage its evolution and
growth. PMS is about learning
and improving, learning and
improving...forever. This needs
to be established as part of
the firm’s culture.

The resource analysis also
shows that, in future it is
likely that the growth of the
company’s PMS will require
complementary IT capabilities
(infrastructure investment
and skills development) to
be deployed throughout the
organisation. This sensitive
issue will require an in-
depth analysis of current and
expected demands, benefits
and costs.

The company has initiated
the review or assessment of
its performance management
reviews. This ‘double loop’
review ensures the efficiency
and effectiveness of the PMS,
and should not be carried
out only when the company
changes its organisational
and operational structures. It will
be very important to continue
with this double loop review
periodically to ensure that a
healthy PMS is maintained.
By following these principles, we believe that EDF Energy will be in an excellent position to optimise the tangible and intangible benefits of its PMS-based continuous improvement programme in the future.

Acknowledgements
This report is dedicated in memory of Mr Alan Cary for his dedication and beliefs in performance management systems for the sustainability of EDF Energy. In addition, the authors would like to acknowledge the support of the EPSRC under grant number [GR/S28846], which supported this research. We are also grateful to our colleague Chris Adams at the Centre for Business Performance for his help in developing this report in a way that practitioners can readily relate to its contents.

Appendix 1: case methodology
This report shows the results from eight months of research in EDF Energy carried out between 2004-5. The study followed a qualitative research approach based on in-depth interviews.

Our methodological process consisted of five steps:
1. The point of departure consisted of the identification and selection of relevant lines of enquiries and development of research questions based on literature and exploratory analysis.
2. In the construction of the research tools’ step, we developed the research protocol, all the data gathering tools and some data analysis tools.
3. Data collection – the case study method was supported by the structured questionnaires, semistructured interviews, archival records, documentation and observation. The interviews were carried out in two phases. The first focused on strategic management issues. The second focused on operational issues around PMS. Performance reports, scorecards, survey results, annual incentive plan (AIP) measures, review processes, strategy maps, workshops practices and other documents were studied.
4. Data analysis – the data gathered from different informants and sources of information was reduced, simplified and compared in different sets of tables.
5. Finally, the interpretation of data was done by using different techniques, such as cognitive maps, a high level of the analytic hierarchy process, decomposition and categorisation techniques.

Bibliography
Gates, S (1999), Aligning strategic performance measures and results, New York, US.
John Wiley & Sons; Saaty, TL, (1983), Priority setting in complex problems, IEEE Transactions on Engineering
Rationales: Because if you don't then you don't know how much it costs.

Today the UKMTMA launches a new service for the generation of accurate time standards which has been tried and tested for the last two years. This has been completed in a furniture manufacturing environment, proving cost effective and satisfactory to all levels of the business.

The Association offers to provide accurate time standards based on the most appropriate system for any operation that is currently practised in commercial, industrial, service or manufacturing industries.

Send a visual recording of the operation you require measuring, to the Association, and our professional staff will provide, within a reasonable time and cost, an accurate interpretation of your workplace operation using MTM1, MTM2 or UAS, plus a detailed method analysis of the operations.

We will provide an estimate of the costs involved to create such standards before any work is started in order that you are able to make a considered decision and approve the start and subsequent completion of the work. Samples can be provided of a part of any operation for consideration.

Contact our Technical Director at ukmtma@googlemail.com and let us help you begin to improve your business standards and costs. Visit our web site, www.ukmtm.co.uk, for information about the Association.
The ever increasing demands of customers, coupled with pressures from competitors, and at the same time a decreasing resource base, has seen organisations seeking strategies to increase customer satisfaction, improve responsiveness and reduce costs. As a consequence, organisations in many different sectors have now seized the lean management approach as a technique to underpin operations activities. Yet as Paluch (2008, p74) notes, lean is not driven by arbitrarily cutting staffing levels or speeding up processes to the detriment of quality, but is essentially concerned with working smarter in order to increase available capacity, reduce waste and add-value to customers.

It therefore involves enhancing value in operations activities, while at the same time eliminating waste (Womack and Jones, 2003). Since one of the cornerstones of lean is the aim to improve speed and service responsiveness to customers, applying lean to the supply chain has become a primary focus for many companies. The purpose of a lean supply chain is to address the ‘five rights’, namely the inventory that is: the right product, in the right quantity, in the right condition, at the right place, at the right time.

Here, the benefits of lean would be seen to permeate across the vendor base and in logistics operations, typically resulting in smaller batch sizes, increased flexibility and more rapid deliveries. As a result, the lean supply chain looks to give priority to the customer, and at the same time reduce waste and therefore costs for an operation.

While Plenart (2007) finds a ‘good fit’ between the objectives and supply chain management (SCM) and lean, this is largely dependent upon organisations taking cost out jointly and collaboratively, so that margins are maintained or improved, and that no party along the full integrated supply chain suffers or has an additional burden to manage. Nonetheless, some corporations have continued to push suppliers to reduce prices, resulting in margins being eroded to unmanageable levels, causing many organisations to divest in some markets. In addition, some supply chains continue to rely on a ‘batch and queue’ approach to inventory management, while others are making attempts at becoming more competitive by configuring their supply chains to hold inventory at component or semi-finished product status, and then completing and fulfilling orders at a late customisation stage. These issues are somewhat exacerbated by the myriad of intricacies and complexities inherent in the supply chain, resulting in missed opportunities to identify waste and add-value.

The lean supply chain paradox

Without the reassurance of a safety net in place in the form of additional short-term capacity, lead time, or inventory, some less agile supply chains may lack the extra resources needed to cope with unplanned events.

Moreover, lean supply chains have the potential to become fragile and sub-optimised as organisations become transfixed with improving their inventory turns, reducing their batch sizes, and only increasingly their supply chain velocity. In addition, supply chains can be less robust, as some lean systems and practices may have negative effects on the overall integrated supply chain. This can undermine the transition from cost leadership based on lean, to differentiation based on radical innovation, resulting in a paradox between two different types of strategy.

Those organisations that are interested in deriving a strategy based on low cost, the focus on implementing a
lean enterprise, can appear to be extremely attractive.
This is unsurprising, since the lean toolkit helps companies eliminate unnecessary costs by attacking waste, reducing variance and building uniformity and standardisation into their supply chain and operations processes.
However, for other organisations, cost leadership is a strategy that is increasingly difficult to pursue and maintain, particularly in organisations where creativity and innovation rank much higher on the strategic agenda.
Moreover, there are a range of deeper paradoxical issues associated with some of the more common supply chain management strategies:

<table>
<thead>
<tr>
<th>Lean companies and lean-focused initiatives look to....</th>
<th>Which can result in.....</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Reduce the number of suppliers for each commodity of purchases to a minimum, a few or often only one.</td>
<td>Reduced flexibility and variation and not allowing dual sourcing</td>
</tr>
<tr>
<td>2. Develop supplier partners, especially in the commodities key to their company’s growth and future success.</td>
<td>Excessive ‘open-book’ collaboration and missing out on short term wins.</td>
</tr>
<tr>
<td>3. Ensure that there is a close match in technology, growth plans, and corporate culture to have an open and successful relationship.</td>
<td>Becoming over-exposed.</td>
</tr>
<tr>
<td>4. Permit frank discussions at all levels so that you understand the technical, cost, and quality issues of the supplier’s product.</td>
<td>Making it difficult to change suppliers due to being locked in.</td>
</tr>
<tr>
<td>5. Allow for exchange of detailed cost data which can reduce duplication of effort and produce savings to be shared.</td>
<td>The ‘tail wagging the dog’ in terms of cost transparency.</td>
</tr>
<tr>
<td>6. Have data or systems to quantify the cost of poor quality and reliability, undependable delivery, engineering assistance, inventory and transportation issues, etc.</td>
<td>Analysis paralysis that smaller organisations along the supply chain cannot cope with.</td>
</tr>
<tr>
<td>7. Use cross-functional teams to certify suppliers.</td>
<td>Less mature organisations diverting resources away from the main operation.</td>
</tr>
<tr>
<td>8. Makes the supplier strive to please your company.</td>
<td>Hidden costs that only serve to dilute margins deeper in the supply chain.</td>
</tr>
<tr>
<td>9. Simplifies and looks to make your company leaner.</td>
<td>Added cost and resource into SMEs who can lack the lean skills to gain benefits.</td>
</tr>
<tr>
<td>10. In the long term, reduce headcount.</td>
<td>Added indirect resource into some tiers of the supply chain.</td>
</tr>
</tbody>
</table>
“Since one of the cornerstones of lean is the aim to improve speed and service responsiveness to customers, applying lean to the supply chain has become a primary focus for many companies”

Lean: the enemy of innovation and creativity?
In pursuit of lean outcomes, organisations seek well-defined process improvements with the usual lead time for a process improvement (driven by a lean tool such as Kaizen) being just a few days or weeks.

On top of this, relevant operating metrics can be easily identified where the expected results are relatively predictable due to the linkage relationship between the actions taken and the result. For example, if the goal is to reduce lead time or reduce cost, it can be measured and monitored by focusing on process metrics.

This subsequently leads to a lean environment, where staff are taught that variance is an ‘evil’ and something to be reduced and controlled through standardisation.

As a result, lean fosters a unique attitude toward buffer or under utilised resources, with lean philosophy mandating that companies should strive to initially reduce and subsequently eliminate under utilised resources, both human and machine. This might be appropriate if the goal is to reduce variance and waste, but what if the goal is creativity or innovation?

Slack et al (2009) differentiate between continuous improvement and breakthrough improvement, and here breakthrough or ‘big-bang’ changes look towards new, different products and processes that will develop new markets, products and services which may in turn push existing products more rapidly through to the end of life stage of the product life cycle.

Consequently, a high degree of creative or entrepreneurial thinking is required to drive new product and service development, because only a handful of new ideas may actually come to fruition. More ideas therefore, need to be encouraged; to proliferate more seeds, and thus to improve the chances of success. This creativity needs experimentation and a degree of surplus capacity or ‘slack’ to enable it to flourish.

Slack, in the form of buffer time and spare, available resources, facilitates the act of innovation, with some organisations proactively encourage their employees to spend a certain percentage of their time working on future creative solutions and ideas.

Slack, by way of increased painful lessons around previous failures, is needed to compensate for likely future process or product deficiencies. Organisations therefore, need to invest resources in developing new products and processes, irrespective of whether they succeed or fail.

Slack, built-in from learning and ironing out new product or process innovations. For example, consider the long development lead-times in industries such as aviation, and space travel.

Slack, in the form of surplus labour hours, is necessary for implementing change and increasing the long development lead-times in industries such as aviation, and space travel.

Yet this notion of permitting slack in the operation to facilitate innovative activities contradicts the mandate of lean. Additionally, it is clear that any such resources invested in programmes that fail, are, by definition a waste.
Navigating the choppy waters towards a lean supply chain

The solution to the ensuing management issues raised above often lies deep in the hidden detail of the supply chain DNA. Some lean initiatives or developments result in a suboptimal supply chain: whilst looking good in the surface, with process controls, low inventory holding, mistake-proofed production lines, tidy factory floors and engaged workforce focusing on creating value for the customer, etc., some of the associated management problems have merely been passed down one or two tiers of the supply chain, rather than being dealt with at the root cause.

To therefore derive a more permanent and satisfactory solution, it is important to involve suppliers and logistics service providers, to truly engage multiple tiers of the supply chain in collaboration.

It is this strong commitment to collaborative working, in particular, sharing continuous improvements initiatives that Hill (2008) sees as crucial to developing an effective supply chain. This view is supported by Lamming (1996) who feels that sharing expertise, wherever this originates in a supply chain is important, and also by Fulcher (2008) who advocates collaboration in order to manage demand synchronisation throughout the entire supply chain.

It is also important to look at the big picture and consider the integrated supply chain, or more preferably fully embracing the phrase ‘lean supply chain’ since it encompasses all parts of the business. Applying this one step further; harnessing the principles of lean by looking from end to end. Nevertheless, this has become increasingly difficult with the increase in outsourcing and globalised sourcing opportunities resulting in supply chains becoming longer, more complex and essentially more fragmented. Consequently, value stream mapping (see Slack et al, 2009) across international boundaries by looking at the total cost of supply from raw material to after sales support must take priority if supply chains are to be fully understood and fully optimised.

Lean procurement requires demand visibility via a signal, either physical or electronic. Suppliers therefore need to be able to have a view into the very ‘heart of their customers’ operations. Similarly, customers want to be able to have a corresponding perspective on the operations within their supply base. This is where process mapping the entire value stream, and collaborating both up and down the value chain becomes an important tool. Such maps create a flow of information while establishing a pull of information and products.

Furthermore, lean must be viewed as a collaborative, iterative process, in order to support crucial both survival and growth. However, the challenge here is to bring all supply chain activities out of their traditional silos and make them work together to reduce waste and create flow. Lean supply chains should be able to respond to changes quickly and this Sahling (2006) recognises is vital to accommodate the proliferation of products typically associated with mass customisation.

Consequently, lean in the supply chain, has evolved in today’s turbulent, uncertain economic times, to a point where an ‘agility’ strategy is more appropriate. Supply chain agility is more akin to being focused on speed and flexibility in the supply chain, as a response to diminishing lead-times, wider customer choice, and heightened levels of competition in some industries.

The more agile an organisation is, the more market-driven (Bruce et al, 2004), the more rapid response-driven and focused on customer satisfaction the organisation is likely to be.

Typically, the agile supply chain will drive speed and efficiency into each of the process steps from order intake through to fulfilment of that order. Each process step is dealt with swiftly and with a ‘right first time’ approach to waste elimination.

Ultimately, the faster that materials, information, and decisions can flow through an organisation, the faster it can respond to the demands of the market and win in the eyes of the customer. Shifting the focus from lean to agile will drive new approaches, new tactics and new innovations at every tier of the supply chain.

It is interesting to note however, that supply chain agility may be viewed as being...
in direct opposition with some of the more traditional manufacturing approaches, such as driving high asset utilisation, and high inventory fuelled by large batch sizes. Agility demands a paradigm shift. Spare capacity (slack) is embraced, configure to order favoured over bulk production, single piece flow and ever-reducing batch sizes replace long set-up times allied to over production.

Conclusion
Neither lean nor agility is a catch-all that guarantees success, but they are operations approaches that can offer a new dimension to competing effectively. By combining customer focus, with market driven behaviours, rapid response supply chains and electronic data flow to adapt to the changing dynamics in today’s industry gives organisations a more assured competitive mandate. The keys to accomplishing these concepts above include mapping the value stream, creating flow, reducing waste in processes at every tier of the supply chain, eliminating non-value-added activities and collaborating for shared success.

References
Fulcher, J, (2008) Supplier Performance Management is Job One in Creating a Lean Supply Chain, Manufacturing Business Technology, October, pp40-43


The authors
Mike Keen is operations manager at Southco, a global manufacturing company, with EU headquarters in Worcester (www.southco.com). He has 20 years experience of supply chain management in the manufacturing and service sectors. Carl Evans is a senior lecturer in business and management at University of Worcester.

“There are a range of deeper paradoxical issues associated with some of the more common supply chain management strategies”
The Institute of Management Services
(A company limited by guarantee)
Trustees’ report and financial statements
for the year ended 31 December 2009

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Legal and administrative information 2
Trustees’ report 2
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Statement of financial activities 5
Balance sheet 5
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Legal and administrative information

Charity number 288877
Company registration number 00832132
Registered office Brooke House, 24 Dam Street, Lichfield, Staffordshire WS13 6AA
Trustees J J Lucey Hon FMS
D Blanchflower JP, FMS (Chairman)
J Cutler FMS
H Downes Hon FMS
J P Heap Hon FMS
R Bridges FMS
G P Mansfield FMS
A P Muir FMS
Secretary H Downes Hon FMS
Auditors Leftley Rowe and Company, The Heights, 59-65 Lowlands Road, Harrow, Middlesex HA1 3AW
Bankers Bank of Scotland, 8 Lochside Avenue, Edinburgh Park, South Gyle, Edinburgh EH12 9DG

Chairman’s Statement 2009

It is pleasing to report that 2009 has been a very satisfying year for the Institute with expenditure being kept within budget. Our income was enhanced via a return of surplus monies to the Institute from pension arrangements. As in past years we continue to reap the benefits of outsourcing both our administration function and the production of our journal. The journal continues to be the leading UK publication, dispensing knowledge relating to all aspects of productivity improvement. During 2009 we continued to ensure that the Journal contained topical articles relating to the wider field of productivity. The production and distribution format of four quarterly journals continues to meet the needs of the IMS membership. The journal continues to be made available to all members with hard copies being mailed to UK based members and overseas members having access to the journal via the internet. Postal costs increased drastically in 2009 but we are still producing and circulating the journal to all UK members in a cost effective manner.

During 2009 the Institute set in motion a ‘Strategic Review’ under the Chairmanship of our Deputy Chairman, Andrew Muir. One of the objectives of the review is to maximise the income of the Institute with the objective of strengthening our long-term financial stability; the review is continuing into 2010.

Our three national education providers accredited to provide training courses leading to the award of the Institute’s Certificate qualification continue to provide a valuable service. These education providers who all have a very long association with the Institute provide a valuable service and also bring new members into the Institute, as well as being an important income stream for the Institute. Our income generated from new membership fees increased in the financial year, as did our income from examinations.

You will note from our accounts that the year-end financial statement for 2009 once again illustrates the extremely healthy financial position of the Institute. Our total unrestricted reserves stand at £453,741 as at 31 December 2009. In 2008 our reserves were adversely affected by the global economic problems, but 2009 saw a slow but steady growth in the value of our reserves held in equities and these equities will increase in value as the economic climate further improves. The bulk of our reserves are held in readily accessible saving accounts, but in common with all such investments the present low interest rates saw a marked reduction in investment income in 2009. We continue to be one of the most financially sound professional institutes in the UK.

Finally may I thank my fellow members of Council and the region officers who all do so much to ensure that the Institute of Management Services remains a progressive professional body that fully meets its declared objective of spreading the concept of productivity improvement across the world.

David Blanchflower, Chairman

Report of the trustees (incorporating the directors’ report) for the year ended 31 December 2009

The trustees present their report and the financial statements for the year ended 31 December 2009. The trustees, who are also directors of The Institute of Management Services for the purposes of company law and who served during the year and up to the date of this report are set out on page 1.

Structure, governance and management

Charitable objects
The Institute has as its main objective the promotion of the science, technology, practice and profession of Management Services, which results in the advancement of the efficiency, productivity and satisfaction of human work.

Organisation and structure
The Institute has eight trustees who are elected by the membership in two groups of four. Elections are held prior to the Annual General Meeting, where the results of the ballot are counted. Elections are held in alternative years with the elections having taken place in 2009. The Board of Trustees meet three times a year in addition to the Annual General Meeting.
Achievements and performance

The Institute’s main activity is the dissemination of knowledge and information on productivity improvement both to its members and the public in general, in order to improve the financial viability of both companies and countries across the world. The increasing realisation of the role that productivity improvement can play in ensuring the economic well being of all is an indicator of the success of the Institute over the past 65 years.

The Institute continues to reap the financial benefits of moving its administration base from Enfield to Lichfield in September 2001. During 2005 due to the lease expiring at Stowe House the Institute relocated its head office to Brooke House, 24 Dam Street, Lichfield.

In 2005 the vast majority of existing Institute members availed themselves of the opportunity to take out life membership of the Institute. The additional income generated by the introduction of life membership has been invested and will serve to meet the Institutes financial needs into the future. In 2009 we saw the continuation of the steady increase in membership that had been evident in previous years. The move towards life membership has greatly reduced the administrative burden on the Institute and this has been reflected in a large reduction in the operating costs which is reflected in the 2009 financial statements.

January 2005 saw the outsourcing of the Institutes Journal “Management Services” and the Institute continues to benefit from reduced journal production costs. The membership continues to support the publication of a quarterly journal. In 2009 the Journal underwent a re-design which has made the pages more lively and appealing to read. The journal continues to be provided to overseas members via the Internet. Past issues of the journal are now available on the Institutes website with the current issue only being available to Institute members via the use of a password.

In 2009 the Institute set in progress a strategic review aimed at identifying and implementing a strategic plan that would take the Institute forward over the next five years. The main facets of the review were to investigate the extension of our education system using overseas education providers and to upgrade our website.

The three national education providers accredited to provide courses leading to the award of the Institutes Certificate continue to provide a valuable service and also bring new members into the Institute. Each year student of the year awards are made to students who have attended courses.

Future aims and objectives

It is the intention of the Institute during 2009 and subsequent years to seek to increase membership numbers. Recruitment initiatives will include advertising in the professional journals of other Institutes.

Reserves

The Institute has a policy to maintain its reserves at a level that ensures the future financial viability of the Institute. That level is deemed to be one that equates to a minimum of one year’s expenditure; currently the Institute holds reserves that exceed this target level by fivefold and as such is financially very sound. The funds of the charity are all unrestricted.

Note 19 of the financial statements indicates there are £453,741 unrestricted funds at 31 December 2009.

Investment powers, policy and performance

The Trust Deed authorises the trustees to make and hold investments using the general funds of the charity.

The general improvement in the value of stocks and shares over the past year has resulted in the growth in value of the Institute’s reserves held in this form of investments. We have also financially benefited from the redistribution of funds previously allocated for employee pensions.

Risk review, governance and internal control

Trustees are responsible for providing assurance that:
- the charity is operating efficiently and effectively;
- its assets are safeguarded against unauthorised use or disposition;
- proper records are maintained and financial information used within the charity or for publication is reliable;
- the charity complies with the relevant laws and regulations.

The systems of internal control are designed to provide reasonable, but not absolute, assurance against material misstatement or loss. They include:
- a strategic plan and annual budget approved by the trustees;
- regular consideration by the trustees of the financial results, variance from budgets, non-financial performance indicators and benchmarking reviews;
- delegation of authority and segregation of duties;
- identification and management of risks.

Statement as to disclosure of information to auditors

In so far as the trustees are aware:
- there is no relevant audit information of which the charitable company’s auditors are unaware; and
- the trustees have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

Statement of trustees’ responsibilities

The trustees (who are also directors of The Institute of Management Services for the purpose of company law) are responsible for preparing the Trustees’ Annual Report and the financial statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice.

Company law requires the trustees to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the charitable company and of the incoming resources and application of resources, including the income and expenditure, of the charitable company for that period. In preparing these financial statements, the trustees are required to:
- select suitable accounting policies and then apply them consistently;
- observe the methods and principles in the Charities SORP;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charitable company will continue in operation.

The trustees are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the charitable company and which enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the charitable company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Auditors

Leftley Rowe and Company are deemed to be reappointed in accordance with Section 487(2) of the Companies Act 2006.

Small company provisions

These financial statements have been prepared in accordance with the provisions applicable to companies subject to the small companies’ regime.

This report was approved by the Board on .................................

and signed on its behalf by

John Lucey Hon FMS
Treasurer
Independent auditor’s report to the members of The Institute of Management Services

We have audited the financial statements of The Institute of Management Services for the year ended 31 December 2009 which comprise the Statement of Financial Activities, the Balance Sheet and the related notes. The financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor’s report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the trustees and auditors

The trustees’ (who are also directors of The Institute of Management Services for the purposes of company law) responsibilities for preparing the Trustees’ Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) and for being satisfied that the financial statements give a true and fair view are set out in the Statement of Trustees’ Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view, have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and have been prepared in accordance with the Companies Act 2006. We also report to you whether, in our opinion, the information given in the Trustees’ Annual Report is consistent with the financial statements.

In addition we report to you if, in our opinion, the charity has not kept adequate accounting records, if the charity's financial statements are not in agreement with the accounting records and returns, if we have not received all the information and explanations we require for our audit, or if certain disclosures of trustees’ remuneration specified by law are not made.

We read the Trustees’ Annual Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the trustees in the preparation of the financial statements, and of whether the accounting policies are appropriate to the charity’s circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion

• the financial statements give a true and fair view of the state of the charity’s affairs as at 31 December 2009 and of its incoming resources and application of resources, including its income and expenditure, for the year then ended;
• the financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
• the financial statements have been prepared in accordance with the Companies Act 2006, and
• the information given in the Trustees’ Annual Report is consistent with the financial statements.

James Rowe (senior statutory auditor)

For and on behalf of Leftley Rowe and Company
Chartered Accountants and Statutory Auditors

The Heights
59-65 Lowlands Road
Harrow
Middlesex
HA1 3AW
Statement of financial activities (incorporating the income and expenditure account)
For the year ended 31 December 2009

Incoming resources
Incoming resources from generating funds:
- Voluntary income
  Notes 2
  £ 42,503
  Total £ 42,503
  2008 £ 39,897
- Investment income
  Notes 3
  £ 9,150
  Total £ 9,150
  2008 £ 29,922
- Incoming resources from charitable activities
  Notes 4
  £ 31,425
  Total £ 31,425
  2008 £ 27,541
- Other incoming resources
  Notes 5
  £ -
  Total £ -
  2008 £ 2,974
- Surplus on retirement benefit pension scheme
  Notes 5
  £ 64,933
  Total £ 64,933
  2008 £ -

Total incoming resources
Notes 10
£ 148,011
2009 £ 148,011
2008 £ 100,335

Resources expended
- Charitable activities
  Notes 6
  £ 32,797
  Total £ 32,797
  2008 £ 32,278
- Governance costs
  Notes 7
  £ 25,512
  Total £ 25,512
  2008 £ 2,779
- Management and administration
  Notes 8
  £ 45,268
  Total £ 45,268
  2008 £ 49,162
- Support costs
  Notes 9
  £ 974
  Total £ 974
  2008 £ 1,705

Total resources expended
Notes 10
£ 104,551
2009 £ 104,551
2008 £ 85,924

Net incoming resources for the year
Notes 10
£ 43,460
2009 £ 43,460
2008 £ 14,411

Other recognised gains and loses
- Gains/(Losses) on revaluation of investment assets
  £ 26,538
  2009 £ 26,538
  2008 £ (49,642)

Net movement in funds
Notes 10
£ 69,998
2009 £ 69,998
2008 £ (35,231)

Total funds brought forward
Notes 10
£ 383,743
2009 £ 383,743
2008 £ 418,974

Total funds carried forward
Notes 10
£ 453,741
2009 £ 453,741
2008 £ 383,743

The statement of financial activities includes all gains and losses in the year and therefore a separate statement of total recognised gains and losses has not been prepared.
All of the above amounts relate to continuing activities.

The notes on pages 6 to 8 form an integral part of these financial statements.
Notes to the financial statements for the year ended 31 December 2009

1. **Accounting policies**
The principal accounting policies are summarised below. The accounting policies have been applied consistently throughout the year and the preceding year.

1.1. **Basis of accounting**
The financial statements are prepared under the historical cost convention and in accordance with the Statement of Recommended Practice ‘Accounting and Reporting by Charities’ issued in March 2005 (SORP 2005) and the Companies Act 2006.

1.2. **Cashflow**
The charity has taken advantage of the exemption in FRS1 from the requirement to produce a cashflow statement because it is a small charity.

1.3. **Incoming resources**
All incoming resources are included in the statement of financial activities when the charity is entitled to the income and the amount can be quantified with reasonable accuracy. The following specific policies are applied to particular categories of income:

- Voluntary income is received by way of membership subscriptions and is included in full in the Statement of Financial Activities when receivable.
- Grants, including grants for the purchase of fixed assets, are recognised in full in the Statement of Financial Activities in the year in which they are receivable.
- Income from activities to further the charity's objects and investments are included in the year in which it is receivable.

1.4. **Resources expended**
Expenditure is recognised on an accrual basis as a liability is incurred. Expenditure includes any VAT which cannot be fully recovered, and is reported as part of the expenditure to which it relates.

Resources expended are recognised in the year in which they are incurred.

Support costs are those costs incurred directly in support of expenditure on the objects of the charity and include project management.

1.5. **Tangible fixed assets and depreciation**
Tangible fixed assets are stated at cost less accumulated depreciation. Depreciation is provided at rates calculated to write off the cost less residual value of each asset over its expected useful life, as follows:

- Fixtures, fittings and equipment: 33% straight line pa

1.6. **Investments**
Investments held as fixed assets are revalued at mid-market value at the balance sheet date and the gain or loss taken to the statement of financial activities.

1.7. **Irrecoverable VAT**
All resources expended are classified under activity headings that aggregate all costs related to the category.

2. **Voluntary income**

<table>
<thead>
<tr>
<th>2009</th>
<th>2008</th>
</tr>
</thead>
<tbody>
<tr>
<td>£</td>
<td>£</td>
</tr>
<tr>
<td>Membership subscriptions</td>
<td>42,503</td>
</tr>
<tr>
<td></td>
<td>42,503</td>
</tr>
</tbody>
</table>

3. **Investment income**

<table>
<thead>
<tr>
<th>2009</th>
<th>2008</th>
</tr>
</thead>
<tbody>
<tr>
<td>£</td>
<td>£</td>
</tr>
<tr>
<td>Listed investment income</td>
<td>9,150</td>
</tr>
<tr>
<td></td>
<td>9,150</td>
</tr>
</tbody>
</table>

4. **Incoming resources from charitable activities**

<table>
<thead>
<tr>
<th>2009</th>
<th>2008</th>
</tr>
</thead>
<tbody>
<tr>
<td>£</td>
<td>£</td>
</tr>
<tr>
<td>Advertising revenue and journal subscriptions</td>
<td>13,307</td>
</tr>
<tr>
<td>Examination entry fees</td>
<td>4,300</td>
</tr>
<tr>
<td>General</td>
<td>11,818</td>
</tr>
<tr>
<td>Amounts from groups and branches</td>
<td>2,000</td>
</tr>
<tr>
<td></td>
<td>31,425</td>
</tr>
</tbody>
</table>

5. **Other incoming resources**

<table>
<thead>
<tr>
<th>2009</th>
<th>2008</th>
</tr>
</thead>
<tbody>
<tr>
<td>£</td>
<td>£</td>
</tr>
<tr>
<td>Reimbursable expenses</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>64,933</td>
</tr>
<tr>
<td></td>
<td>64,933</td>
</tr>
</tbody>
</table>

6. **Costs of charitable activities - by activity**

<table>
<thead>
<tr>
<th>Advertising &amp; Examinations</th>
<th>Advertising &amp; Examinations</th>
<th>2009</th>
<th>2008</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>£</td>
<td>£</td>
</tr>
<tr>
<td>Examinations charges</td>
<td>-</td>
<td>422</td>
<td>235</td>
</tr>
<tr>
<td>Printing, postage and stationery</td>
<td>32,375</td>
<td>32,375</td>
<td>32,043</td>
</tr>
<tr>
<td></td>
<td>32,375</td>
<td>422</td>
<td>32,797</td>
</tr>
<tr>
<td></td>
<td></td>
<td>32,797</td>
<td>32,278</td>
</tr>
</tbody>
</table>

7. **Governance costs**

<table>
<thead>
<tr>
<th>Unrestricted funds</th>
<th>2009</th>
<th>2008</th>
</tr>
</thead>
<tbody>
<tr>
<td>£</td>
<td>£</td>
<td>£</td>
</tr>
<tr>
<td>Auditors remuneration</td>
<td>2,785</td>
<td>2,785</td>
</tr>
<tr>
<td>Current tax charge</td>
<td>22,727</td>
<td>22,727</td>
</tr>
<tr>
<td></td>
<td>25,512</td>
<td>25,512</td>
</tr>
</tbody>
</table>
8. Management and administration

<table>
<thead>
<tr>
<th>Unrestricted funds</th>
<th>2009</th>
<th>2008</th>
</tr>
</thead>
<tbody>
<tr>
<td>£</td>
<td>£</td>
<td>£</td>
</tr>
<tr>
<td>Committee meeting expenses</td>
<td>10,621</td>
<td>10,621</td>
</tr>
<tr>
<td>Irrecoverable VAT</td>
<td>3,208</td>
<td>3,208</td>
</tr>
<tr>
<td>Insurance</td>
<td>800</td>
<td>800</td>
</tr>
<tr>
<td>Outsourced administration</td>
<td>23,490</td>
<td>23,490</td>
</tr>
<tr>
<td>Cleaning</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Printing, postage and stationery</td>
<td>2,300</td>
<td>2,300</td>
</tr>
<tr>
<td>Computer costs</td>
<td>2,149</td>
<td>2,149</td>
</tr>
<tr>
<td>Legal and professional</td>
<td>50</td>
<td>50</td>
</tr>
<tr>
<td>Bad debts</td>
<td>21</td>
<td>21</td>
</tr>
<tr>
<td>General expenses</td>
<td>2,364</td>
<td>2,364</td>
</tr>
<tr>
<td>Depreciation</td>
<td>123</td>
<td>123</td>
</tr>
<tr>
<td>Interest and charges</td>
<td>120</td>
<td>120</td>
</tr>
<tr>
<td>Hire of equipment</td>
<td>22</td>
<td>22</td>
</tr>
<tr>
<td></td>
<td>45,268</td>
<td>45,268</td>
</tr>
</tbody>
</table>

9. Analysis of support costs

<table>
<thead>
<tr>
<th>Unrestricted funds</th>
<th>2009</th>
<th>2008</th>
</tr>
</thead>
<tbody>
<tr>
<td>£</td>
<td>£</td>
<td>£</td>
</tr>
<tr>
<td>Membership expenses</td>
<td>165</td>
<td>165</td>
</tr>
<tr>
<td>Sponsorship and awards</td>
<td>809</td>
<td>809</td>
</tr>
<tr>
<td>P.R. (Literature and brochures)</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>974</td>
<td>974</td>
</tr>
</tbody>
</table>

10. Net incoming resources for the year

<table>
<thead>
<tr>
<th></th>
<th>2009</th>
<th>2008</th>
</tr>
</thead>
<tbody>
<tr>
<td>£</td>
<td>£</td>
<td>£</td>
</tr>
<tr>
<td>Net incoming resources</td>
<td></td>
<td></td>
</tr>
<tr>
<td>is stated after charging:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Depreciation and other amounts</td>
<td>123</td>
<td>122</td>
</tr>
<tr>
<td>written off tangible fixed</td>
<td></td>
<td></td>
</tr>
<tr>
<td>assets</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Auditors’ remuneration</td>
<td>2,785</td>
<td>2,779</td>
</tr>
<tr>
<td>and after crediting:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Exceptional credits</td>
<td>64,933</td>
<td>-</td>
</tr>
</tbody>
</table>

11. Employees

Employment costs

No salaries or wages have been paid to employees, including the trustees, during the year.

Number of employees

The average monthly numbers of employees (including the trustees) during the year, calculated on the basis of full time equivalents, was as follows:

<table>
<thead>
<tr>
<th></th>
<th>2009</th>
<th>2008</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number</td>
<td>8</td>
<td>8</td>
</tr>
<tr>
<td>Out of pocket expenses</td>
<td></td>
<td></td>
</tr>
<tr>
<td>were reimbursed as follows:</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>2009</td>
<td>2008</td>
</tr>
<tr>
<td>Travel, accommodation, stationery</td>
<td>£</td>
<td>£</td>
</tr>
<tr>
<td></td>
<td>8,557</td>
<td>8,664</td>
</tr>
</tbody>
</table>

12. Taxation

The charity’s activities fall within the exemptions afforded by the provisions of the Income and Corporation Taxes Act 1988. However, during the year the charity received surplus monies from the Retirement Benefits Scheme which is taxable at 35%.

Analysis of charge in period

<table>
<thead>
<tr>
<th></th>
<th>2009</th>
<th>2008</th>
</tr>
</thead>
<tbody>
<tr>
<td>£</td>
<td>£</td>
<td>£</td>
</tr>
<tr>
<td>Current tax</td>
<td></td>
<td></td>
</tr>
<tr>
<td>UK tax on surplus monies received</td>
<td>22,727</td>
<td>-</td>
</tr>
</tbody>
</table>

13. Tangible fixed assets

Fixtures, fittings and equipment

<table>
<thead>
<tr>
<th>Total</th>
<th>£</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cost</td>
<td></td>
</tr>
<tr>
<td>At 1 January 2009 and</td>
<td>9,475</td>
</tr>
<tr>
<td>At 31 December 2009</td>
<td></td>
</tr>
<tr>
<td>Depreciation</td>
<td></td>
</tr>
<tr>
<td>At 1 January 2009</td>
<td>9,227</td>
</tr>
<tr>
<td>Charge for year</td>
<td>123</td>
</tr>
<tr>
<td>At 31 December 2009</td>
<td>9,350</td>
</tr>
<tr>
<td>Net book values</td>
<td></td>
</tr>
<tr>
<td>At 31 December 2009</td>
<td>125</td>
</tr>
<tr>
<td>At 31 December 2008</td>
<td>248</td>
</tr>
</tbody>
</table>
14. **Fixed asset investments**

<table>
<thead>
<tr>
<th>Valuation</th>
<th>Listed investments £</th>
<th>Total £</th>
</tr>
</thead>
<tbody>
<tr>
<td>At 1 January 2009</td>
<td>102,933</td>
<td>102,933</td>
</tr>
<tr>
<td>Revaluations</td>
<td>26,538</td>
<td>26,538</td>
</tr>
<tr>
<td>At 31 December 2009</td>
<td>129,471</td>
<td>129,471</td>
</tr>
</tbody>
</table>

Historical cost as at 31 December 2009

All fixed asset investments are held within the United Kingdom.

15. **Debtors**

<table>
<thead>
<tr>
<th>2009</th>
<th>2008</th>
</tr>
</thead>
<tbody>
<tr>
<td>£</td>
<td>£</td>
</tr>
<tr>
<td>Trade debtors</td>
<td>2,138</td>
</tr>
<tr>
<td>Other debtors</td>
<td>403</td>
</tr>
<tr>
<td>Prepayments</td>
<td>1,335</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>3,876</strong></td>
</tr>
</tbody>
</table>

16. **Creditors: amounts falling due within one year**

<table>
<thead>
<tr>
<th>2009</th>
<th>2008</th>
</tr>
</thead>
<tbody>
<tr>
<td>£</td>
<td>£</td>
</tr>
<tr>
<td>Trade creditors</td>
<td>5,094</td>
</tr>
<tr>
<td>Other taxes</td>
<td>22,727</td>
</tr>
<tr>
<td>Accruals and deferred income</td>
<td>42,444</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>70,265</strong></td>
</tr>
</tbody>
</table>

17. **Creditors: amounts falling due after more than one year**

<table>
<thead>
<tr>
<th>2009</th>
<th>2008</th>
</tr>
</thead>
<tbody>
<tr>
<td>£</td>
<td>£</td>
</tr>
<tr>
<td>Deferred income</td>
<td>116,797</td>
</tr>
</tbody>
</table>

18. **Deferred income**

<table>
<thead>
<tr>
<th>2009</th>
<th>2008</th>
</tr>
</thead>
<tbody>
<tr>
<td>£</td>
<td>£</td>
</tr>
</tbody>
</table>

**Advance subscriptions**

| At 1 January 2009 | (145,635) | (174,473) |
| Released in year | 28,838    | 28,838    |
| At 31 December 2009 | (116,797) | (145,635) |

Deferred income is comprised of lifetime-membership subscription receipts. Income will be released to the statement of financial activity over the estimated lifetime of members.

19. **Analysis of net assets between funds**

<table>
<thead>
<tr>
<th>Unrestricted funds £</th>
<th>Total funds £</th>
</tr>
</thead>
</table>

Fund balances at 31 December 2009 as represented by:

- **Tangible fixed assets** | 125 |
- **Investment assets** | 129,471 | 129,471 |
- **Current assets** | 511,207 | 511,207 |
- **Current liabilities** | (70,265) | (70,265) |
- **Long-term liabilities** | (116,797) | (116,797) |
| **Total** | **453,741** | **453,741** |

20. **Unrestricted funds**

<table>
<thead>
<tr>
<th>Unrestricted funds £</th>
<th>At 31 Dec 2009 £</th>
</tr>
</thead>
<tbody>
<tr>
<td>At 1 January 2009</td>
<td>Incoming resources £</td>
</tr>
<tr>
<td>General fund</td>
<td>383,743</td>
</tr>
</tbody>
</table>

**Purposes of unrestricted funds**

The Institute has as its main objective the promotion of the science, technology, practice and profession of Management Services which results in the advancement of the efficiency, productivity and satisfaction of human work.

The purpose of the unrestricted funds is the dissemination of knowledge and information on productivity improvement both to its members and the public in general, in order to improve the financial viability of both companies and countries across the world. The increasing realisation of the role that productivity improvement can play in ensuring the economic well-being of all is an indicator of the success of the Institute over the past 65 years.
Remove the obstacles that are holding your business back

We can help you identify and address the obstacles

**Experienced productivity specialists**
Use some of our people to undertake a productivity improvement project for you on a project or contract basis - on an hourly or daily rate - for as long as required - as individuals or project teams.

**The MOST™ technique**
Creating structured time standards with a highly effective work measurement technique.

**Training courses**
- Appreciation courses, Lean Routemap, Productivity Toolkit, Rating Clinics, MOST™, Work measurement
- **IMS Certificate course in 4 separate one-week modules**
  1. Productivity Foundation
  2. Productivity Analyst: (choose Time Study, MOST™ or PADS)
  3. Improving methods and processes
  4. Developing a Lean environment
- A tremendous foundation for new analysts, for team leaders, supervisors or managers.

Ask us for more details about this professional qualification, all our other courses, our open course dates or in-company training.

**Scott-Grant Limited**
Portland Tower, Portland Street, Manchester M1 3LD
Tel 0044 (0) 161 234 2121 Fax 0044 (0) 161 234 2125
productivity@scott-grant.co.uk
Offices also in Motherwell and Hertfordshire
The title of this article asks a simple question: ‘is higher productivity possible in the Caribbean?’ Most simple questions require other questions to be answered or assumptions made explicit before they can be answered.

The basic question above has a very simple answer: ‘yes’. Higher productivity is always possible. Perhaps a more pertinent question is ‘Will higher productivity be achieved within the Caribbean over the next few years?’

An equally simple, but less helpful, answer is ‘perhaps’. This article explores the issues that must be understood before we can place more confidence in a ‘yes’ answer to this second question. It covers a range of topics but is not bogged down in detail as I am trying to set the scene to open up areas for discussion.

Neither does it focus on progress being made, initiatives being taken forward or real successes. Listening to success stories can make people complacent.

There is a real challenge implied in the title of this article and there is still some way to go before we can move forward with real confidence.

**Productivity**

The concept of productivity is most easily explained by the simple ratio of output: input, or output: resources consumed.

Higher productivity is achieved by raising output without a corresponding rise in resources consumed, or by reducing resources consumed whilst maintaining output levels (or by some combination of the two).

I always like to remind people of two facts relating to productivity.

First of all, it is the only way we have of creating a bigger ‘cake’ – other economic approaches simply share the same cake out in different ways.

Secondly, if we grow productivity at just 3% per year, and we share the gains equitably, then the standard of living doubles every 22 years. This means the next generation lives twice as well as their parents.

**Higher productivity?**

Are we sure what we mean by ‘higher productivity’.

As we said earlier, productivity is most simply explained as the ratio of outputs to inputs.

The World Confederation of Productivity Science, however, takes a wider view of productivity (or more correctly of the various outputs and inputs subsumed…

---

**John Heap** reports back from his keynote presentation at a recent conference in Barbados attended by representatives from all of the English-speaking Caribbean Islands. In addressing the question of higher productivity and issues of labour-management structural co-operation, he reveals lessons that are relevant worldwide.

“If more value is to be added to agricultural products we need to look at innovation”
productivity possible in the Caribbean?

within that simple concept), recognising that long-term, sustainable success requires organisations – and nations – to address all of: Social; Environmental; and Economic productivities (SEE).

This recognises that for all organisations there are multiple stakeholders whose needs and aspirations should be considered. Of course, businesses need to make a profit…but the stakeholders of that business also need to know that it will be around for the longer-term, contributing to its community (or communities).

So, recognising this expansion of the term ‘productivity’, we have two important questions to answer:
1. How can the Caribbean create conditions for businesses to grow and thrive?
2. What are the respective roles of government, the private sector and other stakeholders in this process?

The established wisdom

Creating the conditions for higher productivity is often thought to be simple – at least in concept. A nation (or region) simply has to establish appropriate macro-economic policies, specifically including deregulation and free trade. Of course, people might argue over what ‘appropriate’ actually means, but it is certain that government does have a role in setting the infrastructure elements that create the potential for higher productivity.

When unpicking this simple recipe for success, it starts to get more complex. Sometimes, when faced with a complex problem, it is better to find a way to look at the issue as if it were simple.

In the case of Caribbean trade, let’s for a minute assume that the region is Caribbean Inc, a profit-making business.

What makes a business successful? At its most simple, it is getting the right goods to the right markets at the right time at the right quality at the right price. And in the light of our move towards considering SEE productivities, we might add that it extends to:

- getting the right goods
- to the right markets
- at the right time
- at the right quality
- at the right price
- minimising any harmful environmental effects
- maximising the beneficial impact on society as a whole and key stakeholders in particular.

Businesses set goals for each part of this ‘equation’ and then set about creating strategies, plans and actions which help them accomplish those goals. They then have teams working on market research, recruitment, product design, process design, advertising, selling, operational execution, training and development, distribution, quality management and so on. They continually monitor the environment they work within looking for opportunities and threats so they can deal with them early.

Successful businesses know what they are good at or where they have a particular advantage … and exploit the points at which these overlap with customer demand.

If there are areas they are less good in, but which have obvious market potential, they might exploit that potential by outsourcing some or all activity or by creating capacity within their own organisation.

So, why doesn’t Caribbean Inc simply follow this model? Well, in practice Caribbean Inc is a very large, complex organisation with multiple points of control and influence, and with many branches at different stages of development.

It is certainly less flexible than it would be if it were a private sector business and it has a bigger agenda.

However the principle still applies – Caribbean Inc has to find the right set of products and deliver them to markets at the right time, at the right quality and at the right price. It has to move towards establishing greater flexibility and greater innovation so that it can cope with the opportunities and threats that
will come its way.

For centuries, Caribbean trade has relied heavily on agricultural products and, more recently, on tourism. These have the advantage of being heavily labour intensive and so keep lots of people in work. However as economists know, there are costs and there are opportunity costs. Those people in low wage, agricultural or tourism jobs are not available for other, higher-rated jobs (and if they were, they would not have appropriate skills).

So, Caribbean Inc has to decide on its product strategy. Of course I am not suggesting that agriculture and tourism will not be important in the future, just that they should be positioned intentionally rather than accidentally within the overall product/service portfolio.

What makes nations competitive?
Competitiveness is a complex issue but a simple concept.

A simple definition of competitiveness is: the degree to which a nation can, under free trade and fair market conditions, produce goods and services that meet the test of international markets while simultaneously maintaining and expanding the real income of its citizens (Robert Sexty, Memorial University of Newfoundland).

The World Competitiveness Centre at the IMD suggests that national competitiveness is based on the following factors (and sub-factors):
- Economic performance (domestic economy, international trade, international investment, employment, prices);
- Government efficiency (public finance, fiscal policy, institutional framework, business legislation, societal framework);
- Business efficiency (productivity, labour market, finance management, management practices, attitudes and values);
- Infrastructure (basic, technological, scientific, health and environment, education).

One mistake emerging nations and regions often make is to assume that the models of these factors operated by more developed nations are there to be adopted and copied.

Of course we would expect to learn from established economies, but it is essential when examining these issues – and Caribbean Inc has to examine these issues – to adapt them to a local environment and context or they won’t work.

Before we return to decide on which of these are particularly important for Caribbean Inc, we shall look specifically at a factor that runs through all of the above and underpins constructive change: innovation.
Innovation is ‘doing new stuff’ or ‘doing old stuff in new ways’. It results in new products, new processes and new forms of organisation.

Most importantly, in the sense that we are using it here, innovation creates new value. It can use new technology but it is as likely to use an existing technology in a novel way. Caribbean Inc has to innovate to raise its competitiveness.

Innovation: agriculture plus

Any country or region attempting to enter, or increase performance within existing markets, has a major problem.

For the Caribbean, this is exemplified by the agricultural sector. Agricultural commodities are bought and sold on the basis of price. Yes, they have to comply with quality factors but the competitive element is price.

The Caribbean has a great climate as an advantage, but it has other factors which mitigate against low costs – size, transport costs, and so on. If more value is to be added to agricultural products, they cannot be simple commodities. We need to look at innovation.

The United Nations estimates that 80% of future food production growth must come from increased yields, 10% from higher cropping density and 10% from expanded land use.

Addressing these issues means it is often sub-optimal to look at individual sectors in isolation and why government departments have to learn to talk more.

Increasing food production and adding value to agricultural products means it is necessary to look at food growth and food processing together to identify potential new added-value products.

It is also useful to establish a ‘Caribbean’ or specific ‘island’ brand(s) to remove products from the competition for generic products.

Innovation: tourism

This need to innovate and establish high value products and services applies to a range of sectors – including the big ones such as tourism.

There is some good practice in the tourism sector but there is also too much acceptance of the standard model of sun, sand and sea. Other regions and nations have those three basic tourism commodities. The Caribbean has to find elements of differentiation to attract tourists who want more or different enticers.

The fact that tourism is sometimes seen as a pollutant means that the social and environmental factors must be addressed when looking at future tourism strategy.

Innovation: energy

Caribbean Inc has the same kind of energy-related pressures as most other regions of the world – the need to find stable, alternative sources of energy as fossil fuels become scarcer and more expensive. It also has the need to exploit current and potential supplies of such fuels that exist within the region, whilst it remains economically viable to do so. This requires an investment in alternative energy sources – both as a solution to the supply problem but also as an investment in new products, services and technologies. The key is in identifying those areas that have the highest medium-term potential and in also investing in more speculative technologies and approaches that have longer-term potential and perhaps fewer competitors.

Again, compartmentalisation of thinking (thinking of only one sector at a time) is sub-optimal here in that encouraging innovation within the energy sector has implications for regulatory and macro-economic regimes.

It is important to create a climate where innovation is encouraged and rewarded and not stifled.

Entrepreneurship

Though they are different, there is often an overlap between innovation and entrepreneurship (or intrapreneurship as it is often called when it takes place within a large organisation).

This is because both require the same kind of context and culture in which to thrive. They require an atmosphere of free thinking, of constructive challenge, and of risk-taking.

Innovation: summary

All of the above mean that it is important for Caribbean Inc to increase its innovation potential by:

• ensuring that education includes a focus on creative thinking and problem solving;
• increasing knowledge transfer from research organisations (by shortening communication channels and creating new channels between, for example, universities and industry);
• developing innovation support processes for small enterprises;
• supporting entrepreneurs.

How do we change?

So, Caribbean Inc has to be:

• more competitive;
• aware of the social and environmental implications of what it does;
• more innovative;
• more entrepreneurial;
• less dependent on
agricultural commodities (but no less dependent on agriculture);
• less dependent on low value tourism (but no less dependent on tourism).

How do we set about making the change?
Firstly, Caribbean Inc has to recognise its assets and advantages. Some of these are obvious – such as climate, small size (aiding flexibility) and political stability.
However, Caribbean Inc also has an advantage that it would not have had 20 or 30 years ago – technology.
Anyone who has read *The World is Flat* by Thomas Friedman understands that technology levels the playing field for small organisations and small nations.
Caribbean Inc has to identify where technology can make a difference and understand the elements of infrastructure that need to be enhanced to support a potential for improved productivity.
Then, Caribbean Inc has to support private sector organisations that wish to build on that infrastructure and deliver higher productivity – especially in terms of ensuring they have access to appropriately skilled labour, working capital.
It is unlikely that a scattergun approach is viable and so investment and support has to be prioritised. This means that Caribbean Inc (and each of its branches) has to decide where to prioritise: part of this decision-making is to identify those products or groups of products that have the most potential, either because there are existing strengths and advantages or because there are identified market opportunities.
Some branches of Caribbean Inc are already taking a cluster-based approach to such prioritisation.
This could also work across Caribbean Inc as a whole, both positively, creating cross-island clusters, and negatively, avoiding each other’s niche strengths.

Change: strategy
The above discussion leads us towards the identification of elements that might go to make up a strategy for change in pursuit of higher productivity and greater competitiveness.
Again, this is simple in concept and can be represented by three basic tasks:
1. Determine priority areas for development (product strategy);
2. Determine infrastructure components required to underpin:
   (a) those priority areas specifically
   (b) greater flexibility and innovation more generally;
3. Determine support processes for private-sector organisations working as part of this overall strategy.

Change: agents and structures
Now it starts to get more complex. We start to get some obvious, though perhaps difficult, questions:
How is this to be organised? Who should drive the strategy? Who needs to be involved? How is this to be funded? What might go wrong? How can we stop it going wrong?
Firstly, we should say that if change is necessary, what has to change is behaviour. Working organisations and systems are populated by people; it is those people who have to change.
Of course, the system must change and someone has
to drive this at a national or organisational level (using change strategy) but fundamentally it must result in changed behaviour in the growing fields, in the factory, in hotels, in universities, in government offices.

Let us revisit the title of this article for a moment. The sub-text refers to labour-management structural co-operation. This is because changed behaviour normally comes about when:

- People understand the behaviours expected of them, and those not expected.
- They understand the reasons for those behaviours – why they are ‘good’ – and these reasons appeal both logically and emotionally. They understand why current behaviours need to change and have the skills necessary for the changed behaviour.

The small changes they start to make are rewarded and reinforced.

Structural cooperation is a way of discussing, clarifying, agreeing and implementing these factors – making sure they are understood and ‘respected’ by all who have to be part of the change.

Structural cooperation, and its manifestation in arrangements such as social partnerships, is a great concept. Let everyone participate in policy-making, strategy development and implementation planning in the best interests of all.

Of course, this is not necessarily simple in practice and it is the kind of arrangement that works well when things are going well, but likely to collapse in a mess of recriminations and distrust when things do not go well.

We see in Greece currently that attempts to cut public sector pay – though considered necessary by international observers – are being fiercely resisted by the workforce which has been brought up in the good times to not worry about productivity and just concentrate on taking their ‘slice of the cake’.

Labour leaders have a difficult task in hard times. Just what is their remit and responsibility? To protect their members’ interests at all costs? Or to protect the interests of the nation?

If the interests of the nation are not protected, what happens to the interests of their members?

In most countries there is something of a difference of attitude within the public and private sectors – and if this cannot be reconciled, there is again an obvious source of difference and discontent when times are hard and wages and job security are differentially affected.

Change can be painful. Changing strategy, changing macro-economic factors, changing support processes mean that there is likely to be a group of (temporary) losers. All parties to any agreement must recognise and accept this and must be aiming for the greater, long-term good.

Structural cooperation carries that title because it needs structures in place to ensure that discussion and dialogue happens. It also needs:

- trust and mutual respect;
- openness, honesty and transparency;
- commitment from leaders on all sides;
- a positive and constructive approach;
- commitment to work with and learn from each other;
- a willingness to accept that hard times mean hard decisions;
- cooperation amongst all key stakeholders.

“Caribbean Inc has to decide where to prioritise”
Without these in place, the cooperation may end up as another means of ‘sharing out the cake’, rather than as baking a bigger, better cake.

Social partnership is often thought of as being between employers and workers or as between government, employers and workers.

The title of this article refers to labour-management structural cooperation, but what about other key groups in the economy and in society: educational establishments, small businesses, entrepreneurs, NGOs and so on? If they are not involved, decisions might be taken which impact negatively on their interests and on cooperation and competitiveness.

What Caribbean Inc needs is a new form of social partnership which is truly ‘win-win’ and sustainable over the longer-term.

This should be a partnership whereby workers deliver competitiveness and reform in the public and private sectors in return for greater equality and social progress and where a shared concern for the environment infuses decision-making processes.

Of course, different branches of Caribbean Inc are at different stages of development – and there is competition amongst those branches in some markets. However there can also be strength in working together as a ‘super partnership’ on productivity issues.

**Role of government**

Government clearly has a role to play in establishing the structures necessary to ensure fruitful and participative discussions lead to strategy and ensuring infrastructure elements are in place (going back to those factors identified by the IMD as underpinning competitiveness). This includes the framework for structural cooperation. However if we maintain our metaphor of Caribbean Inc, then government is rather like the board of directors. They need to set policy, strategy and infrastructure but then they need to withdraw and pass over to the operational arm(s) of Caribbean Inc to get on with the work.

The private sector needs to feel supported but not over-burdened; the public sector has to attempt to provide facilitation without bureaucracy. This sounds simpler than it is but it is the kind of issue that must be explored and debated as part of the structural cooperation – to decide when government should simply ‘get out of the way’.

No faction or grouping should be able to hide behind the procedures contained in any cooperative agreement – but if the conditions for effective partnership have been put in place, no faction or grouping should want to do so.

**Summary**

Is higher productivity possible in the Caribbean? Yes!

What are the conditions which might bring it about?

This walk through productivity and competitiveness factors suggests that Caribbean Inc has to establish processes which involve all key stakeholder groups in policy decision-making that creates higher productivity and shares the fruits of that productivity.

It suggests that all these stakeholder groups have to put aside factional and sectional interests and work for the common, longer-term good.

There needs to be a product strategy so that infrastructure and support can be prioritised and focused.

Specific infrastructure issues must be addressed and an environment created which supports and rewards innovation and entrepreneurship. This means determining appropriate support processes for private sector organisations.

Naturally, this is a simple representation of a complex process. There is time to explore some of these issues but then the talking must stop … it is a time for action!

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*“Let everyone participate in policy-making, strategy development and implementation”*

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John Heap is director of the UK’s National Productivity Centre and an IMS council member.
Under pressure

Is the salience of decision-making a question of moral judgement? Lisa Scott and Dr John McManus, Lincoln Business School.

Introduction

In today's contemporary and growing economies, competition for market share is immense. Profit generated versus time is arguably a fundamental economic driving force for businesses looking to capitalise and monopolise the potential market share. This has evidently led to volatile markets in which the firms' products and services and their life cycles must constantly adapt in order to maintain profits. As such, decisions must be made in order to achieve strategic goals ahead of competitors. While there are arguably many economical advantages, there are, however, concerns regarding the nature of the business decisions made and the influence of goal orientation upon ethics and moral judgement.

While the abstract notion of morality itself is almost impossible to define, it is suggested that one's moral compass, arises as a product of one's biology, psychology and social interactions. It is arguable that a tension occurs between one's immoral behaviour and one's ethical values in a concept similar to that of cognitive dissonance.

This gap is known as ethical dissonance and stands to suggest why people may cheat a small amount, conceal immoral actions and promote a moral self-image. This is demonstrated by an array of scandals – such as Enron and its accounting firm Arthur Andersen; the real-life images of war and death used by Benetton in their advertising campaigns; the safety of the retailed Ford Pintos; and the recent oil spillage of British Petroleum, costing the company over $20 billion possibly because of a neglect of safety checks and failure to apply morality to the decision making process due to time pressures.

It is arguable that managers may be subjected to situational pressures of the organisation and thus waver from their personal values, adopting immoral practices in order of achieving sales targets, status and recognition in the business environment.

After consideration is granted to the definition of morality, business decisions are deliberated along with situational pressures, time restraints, and the decentralisation of organisations and the use of technology. Jones and Kohlberg suggest ways in which one may waver from their moral compass and Adair supports the notion that young, inexperienced professionals may be more inclined to waver from their moral compass in the decision making process.

“Egoism and self-gratification debatably constitute to risk taking and decisions which are marginally moral and sometimes illegal”
making process especially under time restraints.

It is argued that insufficient experience may come through the flat hierarchy of businesses that empower employees to reduce time pressures. Theories supporting the concept that one may adopt objectionable moral behaviour under the pretence that it happens all of the time and is therefore acceptable within the work ethic will be discussed.

Hillary and Kotter suggest that people often resist change, thus decisions are usually carried out once they are committed to. It is also suggested that managers may conduct immoral actions, believing that they are able to resolve any unethical behaviour before individuals are notably affected.

Although ethical guidelines may be available and training in ethics may be given to managers, this, like the law does not provide a sufficient tool for the manager to implement ethics, especially in markets which are increasing in global diversity.

It is also important to explore how to resolve these ethical dilemmas and thus how the manager may be sensitive to a given situation and adhere to personal and ethical values and their moral compass under decision pressures. With consideration of these factors, this paper will conclude, suggesting that managers may be more sensitive to a given situation and adhere to their personal and ethical values and their moral compass under decision pressures.

The importance of time allocated to consider possible alternatives is stressed despite the volatility of the market economy.

Morality
There is a large divergence between theories of morality. They may be found in laws, religion, academic theories and individual belief.

With one’s moral compass being unique to each individual, no one theory of morality is able to provide enough sustainable evidence to become fact.

As Kirshwasser notes, moral behaviour as a divine ideology ‘cannot serve as arguments in a scientific discourse’.

One is therefore able to suggest that until morality may be defined in a scientific way, its application to any given situation may be manipulated.

This is increasingly important in the business context where teleological theories prevail arguably promoting the consequentialist theology of egoism.

Egoism and self-gratification debatably constitute to risk-taking and decisions which are marginally moral and sometimes illegal. This is primarily due to the fact that turnover is logistically compared to time and sales targets are seen to drive profit-centred businesses under the pretence that the end revenue often justifies the means in which it was sought.

It is arguable that time is at a premium and therefore managers tend not to consider alternatives and solutions.

This appears to suggest that technology is used to replace sound ethical and moral judgements of situations under time pressures. With emerging markets adopting technology and empowering employees so there are few middle management, there evidently becomes a flat hierarchy and decentralisation to the business organisation.

To effectively compete through a decrease in the amount of
time in which decisions are made, arguably constitutes to an increase in risk and threat to the business as a result of poor moral judgement. While this debatably enables businesses to readily adapt to change, results and financial goals are measured rather than morality. The end result of this being that as there is a reduction in the need for middle management, employees who are not adequately experienced for undertaking such responsibility ultimately face decisions they are themselves unable to deal with. The pressure is increased as time is at a premium and this evidently results in poor ethical decisions being made. For instance, the recession has seen a rise in empowered employees and the redundancies of many middle management to reduce costs. However, in doing so, businesses have potentially increased risks to the organisation as unqualified employees are given authority over the decision making process.

Moral behaviour
The effect of time pressure on decision making is important in that people are more likely to take risks under time pressure, the consequence of taking risks is that outcomes are not considered carefully and therefore immorality as an occurrence of poor decision making processes is likely to be ignored. As such, for managers to adhere to their personal and ethical values and their moral compass under these decision pressures, it is essential that before employees are empowered, time is allocated to the decision making process for the consideration of the employees moral behaviour.

Moreover, employees should be adequately trained in ethical theories and applied ethics as well as learning from management through techniques such as shadowing, how to apply these to real life situations if they are to be empowered.

This is because objectionable moral behaviours are likely to prevail if employees are empowered without realising the importance of the role of morality in the decision making process.

Gert (2005) argues that the ‘lack of information’, the ‘lack of sufficient concern for others’ and the ‘lack of the proper understanding of morality can lead to morally wrong actions’. As such, adequately equipping management as well as employees to apply morality to the decision making process will arguably assist in discarding objectionable moral behaviour.

It may be argued that objectionable moral behaviour arises through consequentialism due to the profit generated versus time logistics of the work ethic. Consequentialism as a fundamental basis for decision making arguably constitutes to marginally moral behaviour.

Many businesses may claim to be ethical as they comply with the law. However, as argued by Hull and Bold (1995), as the law lags behind morality, the legal system does not constitute to ethical practices. Many companies allege to be moral while committing fraudulent activities such as tax evasion. Becker, (1968) notes that by observing others’ unethical behaviour, one is able to contemplate the costs and benefits of particular transgressions and therefore assess what is regarded as moral or unethical.

This arguably promotes consequentialist thinking and thus elevates risk-taking and egoism in business decisions. Furthermore, consequentialism stands to reason why people are more likely to commit immoral practices in groups through a diffusion of responsibility (Latane, 1981) and de-individuating guilt by distributing it among other group members (Diener, 1977).

As such, one may suggest that managers may view other organisations and note that they are conducting marginally moral behaviour (such as tax evasion), their accounting team may be biased towards them and promote this unethical favouritism, and they may be under substantial pressure to deliver results in minimal time. Other managers and decision makers in their own organisation may practice behaviour which is morally marginal and take competitive risks to deliver results.

If the line between moral and immoral behaviour is a product of observation and complying with the norm, one may be inclined to conduct immoral behaviour under the pretence that ‘Everyone does it so it’s okay’.

It is also arguable that
the manager may refuse to acknowledge moral behaviour in their business decisions, believing they are able to correct unethical behaviour before it affects someone. These are important notions as they suggest that the manager may ignore their moral compass due to the work ethic of the company, and their decisions may be influenced by these situational pressures rather than time restraints alone. As such, for managers to adhere to their personal and ethical values and moral compass under these decision pressures, it is essential that they remain objective, thus viewing the situation away from the influences of the organisation.

**Moral codes**
The manager must promote the importance of ethics in their organisation through dissimilating moral codes of conduct down to other employees. Jack Welch (2001) notes that giving individuals recognition other than financial rewards will make individuals feel valued and therefore they are more likely to comply with ethical and moral standards.

Welch argues that managers should lead by example and therefore morality should be dissimilated from higher management down. Through promoting morality within the work ethic, it is arguable that despite time pressures upon the decision making process, morality and ethics will be viewed as a priority, rather than as a matter which may be dismissed due to there being apparently little or no immediate consequences.

This notion may be furthered as one considers that others may bias decisions and commit fraudulent activities unconsciously in what Banaji, Bazerman and Chugh (2003) describe as bounded ethicality. This is important for managers to be aware of in the decision making process as it stands to suggest that minor moral behaviour may arise without the manager’s conscious knowledge, and upon reflection, the manager would be ashamed of the immoral actions performed. For managers to be more sensitive to their moral compass under decision pressures, awareness of morality should be increased.

Raising awareness of minor moral behaviour through the practical application of ethics arguably reduces the subject’s immoral actions Mazar et al (2008). If managers are to adhere to personal and ethical values and their moral compass under decision pressures, they must first of all recognise that a situation may require sensitivity through being constantly aware of possible immoral situations that may arise.

This notion is supported by James Rest, who developed the Four Component Model to individual ethical decision making. These components are: (1) moral issue recognition; (2) moral judgement; (3) moral intent, and (4) moral behaviour. Although Rest has been criticised by social intuitionists such as Jonathan Haidt for failing to note that individuals may not consider the law, fairness and ethics when making moral judgements, his work stands to provide an influential tool, suggesting that the manager’s moral compass may be manipulated by the business environment.

Rest argues that the manager must first of all note that there is an ethical issue which requires attention. This notion may be furthered as one considers that others may bias decisions and commit fraudulent activities unconsciously in what Banaji, Bazerman and Chugh (2003) describe as bounded ethicality.
making process and when a situation requires sensitivity. Thomas Jones (1991) furthers this, arguing that ethical issues in business are only triggered if they contain a certain level of moral intensity. Jones argues that in general, the more serious the consequences are, the higher the level of moral intensity ascribed and therefore the more likely the issue will trigger the need for ethical consideration.

If managers are to adhere to ethical values, they must first recognise how much ethical consideration is required to each decision, and therefore how much time should be allocated for this. It is arguable that this may only be achieved once the manager becomes principled.

Although it must be noted that moral intentions are the strongest predictor of moral behaviour, individuals do not always behave consistently with their judgements or intent. As such, situational factors may influence the way that the manager intends/does not intend on resolving the issue.

For instance, it may be argued that the managers of Enron had accepted fraudulent activities as part of the work ethic and therefore had little or no intention of behaving in a moral manner. This is a major issue in the business context as it stands to suggest that the manager’s decision making process may be influenced by various pressure factors such as their peer group members, supervisors, and organisational culture and these may be increased under time restraints. Therefore, one’s own moral judgements may be manipulated and vary from their intentions and actual behaviour. For managers to be sensitive to a given situation they must first of all realise that they themselves, as well as other individuals, are subjected to various situational influences and therefore the way that one behaves may not be a true reflection of that individual’s intentions. For example, consider a ‘good employee’ who was ill-informed of a situation and peer pressured into taking an immoral course of action. The individual neither ill-judged the situation or intended to act immorally, but situational circumstances caused the individual to behave in an immoral manner.

Gert (2004) has noted that when an employee does something seemingly immoral, managers tend not to consider why the person has done what they did or about the influences of the company which may need addressing.

**Moral compass**

As such, rapid decisions to condemn an individual are made and the reasons as to why the situation occurred along with the possible influences of the organisation which should be addressed are overlooked. Managers may be more sensitive to a given situation by recognising that their personal moral compass is subject to interpretation. Moreover, in order of adhering to personal and ethical values and their moral compass under these decision pressures, the manager must recognise that time must be allocated to the decision making process to consider the situation, the context in which it occurred as well as the individuals who are or may potentially be both directly and indirectly affected by the decision.

As business situations arise with threats and opportunities to goals and success, the manager must note that varying degrees of sensitivity must be applied to each decision. These are arguably dependent upon the degree of immorality which may arise and therefore alternatives must be offered which differ from consequentialist theology and egoism.

Kohlberg notes that for one to assess and enforce morality, they must first become principled, through a profound knowledge of ethics. He suggests that once this is achieved, the manager is less likely to be influenced by situational pressures and therefore is more likely to be sensitive to a given situation and adhere to their personal and ethical values and moral compass under time restraints and decision pressures.

Although critiques of Kohlberg’s works such as those offered by Carol Gilligan may be used to suggest that Kohlberg’s work is androcentric and it also excludes the importance of other values such as caring, Kohlberg’s theory of justice...
and its application to business practices remains highly influential.

Kohlberg argues that there are six stages to moral development and these may be categorised into the following three levels: pre-conventional; conventional; and post-conventional. The two pre-conventional levels may be compared to the id complex in Freudian theory in that ethics are judged in accordance with avoiding punishment and seeking personal reward. It should also be noted that close correlations to egoism are therefore evident. This level of moral development is usually allocated to small children and adolescents. Although, goal orientated business practices arguably operate on this level of consequentialism. It is argued that profit-centred approaches to business promote personal gain through egoism and use the legal system as a guide for justice, for instance, consider Benetton's promotional campaigns.

With consideration of Kohlberg’s thesis, the manager may be sensitive to a given situation through understanding how age differences may affect individual interpretation. Moreover, in order to be sensitive to a given situation and adhering to personal and ethical values and their moral compass under decision pressures, the manager should be aware that the financial consequences or rewards do not substitute for moral actions. Immoral behaviour should not be recognised in terms of egoism and how decisions may affect the manager or profit, but how poor decisions can potentially affect others.

This has perhaps been evident in the recent oil spillage in which it is alleged that BP refused to conduct all necessary health and safety checks due to time pressure. This resulted in massive environmental issues and threats to the safety of those working on the rig.

It is debatable that if time was allocated in the decision making process to morality, it is likely that BP would not be facing legal fees for endangering their employees, environmental costs, negative media portrayals, decreasing share prices and substantial amounts of money being lost.

Kohlberg’s second level of moral development is comparable to the ego and superego in Freudian theory as well as ethical stances such as utilitarianism, the individual considers the feelings of others in order of determining what is right or wrong, fairness to others and the desire to conform to societal rules and expectations are evident.

At this conventional level, Kohlberg argues that most adults operate upon this level of understanding and therefore most managers will consider a situation by applying reversibility and considering how they would feel if they were the other. However, this therefore suggests that most managers are unable to apply principals of ethics to the decision making process.

On the third level, in stage six, Kohlberg argues that ‘universal moral principles dominate ethical reasoning’. This is an issue that needs addressing if managers are to be sensitive to individual interpretations as well as their own moral compass, as it, like Rest’s four steps model stands to suggest that many managers both on a national and international level do not have the ability to understand individual differences in ethical reasoning. Moreover, through understanding Kohlberg’s thesis, one may argue that managers may be more sensitive to their moral compass if they recognise how their ‘justice operation’ is arguably a tension derived from ‘equality’ acting as a regard for people and ‘reciprocity’ being personal merit. It is only when the manager recognises how one’s own moral judgement is influenced by self gratification and their personal consideration of others that they will truly start to begin to define if their actions are moral or not. Applying theories of ethics, however, is time consuming and with ethics being left to individual interpretation, managers may easily disregard morality in favour of profit and sales figures as well as complying with the work ethic of the organisation.

However, Kohlberg argues that at the principled level the manager is less likely to be influenced by situational expectations and it is therefore unlikely that they will waver from ethical values in the decision making process. This is because, if the manager is able to understand the differences in ethical values and reaches the principled level, awareness is raised, thus sensitivity to the moral compass is increased. Once the need for sensitivity is ‘triggered’, the profound application of the principles of ethics are likely to be employed and therefore the manager is more likely to allocate time in the decision making process for the consideration of alternatives and solutions which are not based upon consequentialism and egoism.

From recession to recovery: tangible transformation in organisational performance

Philip Atkinson, Robert Mackenzie and James Thomson present the ACP change model and highlight key areas paramount to change that need to be addressed to rise to the challenge of organisational change, especially in the public and third sectors.

We are going through difficult times and many organisational leaders appear unaware of how much change will have to be implemented in order to rebuild their organisations. Although this is a challenge for many of our financial institutions, there are also huge challenges waiting for senior management teams in the public and third sector where, some would suggest, the challenge is much greater. Companies have already committed to the actions necessary to get them back on the road to recovery. The same cannot be said for the public and third sectors. To meet current and escalating Economic Policy pronouncements to reduce debt and borrowing, will take more than making 2-3% savings through headcount reduction.

The Coalition Government is demanding such significant cutbacks that we think many in the public sector will find the changes that have to be implemented not just painful, but also beyond their current capabilities to implement and manage. There has to be major organisational re-design, together with developing automated processes that flow across the organisation.

This paper outlines key areas that we believe are central to driving change, so that organisations can take charge and streamline performance. Of particular note is the ‘Accelerated Change Process’ or ACP, plus the ‘Discovery Review Process’ the ‘Report for Business Improvement’ which leads to ‘Strategy and Implementation of Change’

Structural change & organisational design
The strict requirement to prune back an ‘over expanded’ public sector will see reduction in front line services. It will require changes at the top of organisations with new Non Executive appointees, and new CEO’s with commercially active backgrounds who have driven such changes.

Focus for change is on Local Authorities, the NHS, the Police, the Armed Forces and other statutory bodies, quangos and government departments. Much of the public sector is labour intensive, so budgetary...
“Many in the public sector will find the changes that have to be implemented beyond their current capabilities”

cuts will naturally lead to reductions in headcount. At this stage, sophisticated diagnostics work has to be employed in order to differentiate high value added services, structures and processes from those which consume resource but add little value.

Major themes for change focus on the sharing of services between Local Authorities, Health bodies and the Police – but whether they are being or can be implemented fast enough is debatable. The Scottish and UK Governments requested Local Authorities to band together to reduce costs of consumables and other products by developing an integrated procurement policy to drive best value. NHS bodies could do likewise. By banding together, one can cut costs, promote efficiencies and develop a preferred supply chain. Again, no one seems to be leading the way.

**Service provision problems: achieve more with less**
To achieve the required changes requires quality of management that it is difficult to attract and retain. They require the best advice and expertise in change and programme management. They need cutting edge thinking and experience in organisational redesign, re-engineering processes so they are customer facing and, at the same time, changes must flow seamlessly across the organisation in a highly efficient manner. To achieve this matrix culture requires silos to be broken down, bureaucratic practises banished, turf wars and ‘empires’ eliminated and a fresh performance culture installed. This requires leadership of the highest calibre and a major culture change. We outline below how this can be achieved with a methodology driven by the ‘Discovery Review Process’.

**Overview: discovery review process**
This is a multi stage process which will enable any organisation to take action now to improve performance beyond 2011. It assesses current capabilities and the outcome is the formulation of sustainable and robust strategies that can be implemented. These strategies are both ‘corrective’ and ‘preventative’, with the overall aim of improving the financial health and growth of the organisation. This process works because it is based on best practise in the commercial sector, with
companies such as Volkswagen, Diageo, Clydesdale Bank and General Electric, as well as NHS Trusts and other public sector organisations.

The challenge to business in 2011 and beyond
We outline the major forces that may be used by a multi-disciplinary team to support organisations in overcoming the challenge.

Central to this approach is the tailored nature of the change project. Significant and precise measurements and analysis has to be developed and accurate diagnosis is critical if the organisation wants to recover quickly and deliver excellence in service provision. It’s important to recognise that the public, members, ‘end user’, consumer or customer is the focus for improvement. It is about streamlining structures, processes and the culture and is about leading change and recognising that ‘until behaviour changes, nothing changes.’ The diagnosis will speedily highlight those areas which are holding the organisation back from achieving its potential, and isolate the leverage points where change can have greatest impact.

Before we move into the specifics of the diagnostics we would like to explore one of our core change models which is referred to as ACP.

Accelerated change process (ACP)
This is a six-stage process that employs very powerful methods for driving large scale changes and is adopted by leading companies across the world. It is the result of organisations deliberately seeking out best practice in change management.

The concept was driven by companies becoming concerned that change was not happening fast enough for them, and that change initiatives took longer than they should, and if specific attention was paid to certain elements of the change process, change could be introduced very, very quickly.

A six step model for change
This six-stage model is a hybrid developing from the initial work, where a real drive for continuous improvement started. As well as being applied to large scale, high payoff projects, this model works well for much smaller projects. The reality is that if you do involve everyone in the change team right from the start, you can have an enormous impact.

1. Driving for change
   • Work on building a strong change team;
   • Scope out projects with an initial vision.
2. Generate a shared need
   • Identify all who will benefit from, have an impact on, or will be affected by the change;
   • Develop a communications strategy to make the benefits of buying into the change compelling.
3. Create a vision
   • Check for strategic vision;
   • Align everyone in the same direction.
4. Align commitment
   • Win commitment;
   • Identify and resolve all resistance;
   • Build models to ensure closeness to your public.
5. Sustain implementation
   • Develop an implementation plan;
   • Focus on accuracy and speed for implementation.
6. Continuous improvement
   • Set up measures milestones and reviews to ensure the changes are implemented;
   • Assess best practice and benchmark with others.

Diagnostics – create your organisation’s future
Every day you fail to take action increases the risk of discontinuation of business. Organisations that have been around for a long time are just as much at risk as new start ups.

You may want to consider how best to improve the performance of your organisation. Your organisation is special and has its own unique history and culture. Events and key people have shaped how it has fared in good and bad times. Now might be a good time to re-evaluate how you could achieve more with fewer resources.

Multi-disciplinary team of change makers
Now might also be the time to invest the energies and methodologies of a multi-disciplinary approach to enable you to make the required transition.

What is required is a Partnership in ‘diagnosis and action’. Expert change makers can listen to your problems and help design processes which will provide you with a precise and accurate assessment of your organisation’s strengths, core competencies and identify those precise elements that hinder performance. Together, you could explore where you are most at risk, the opportunities you could pursue through reassessing your portfolio of services, and how to minimise any threat to service continuity.

Indecisive leadership in some organisations
Some resignedly accept that what will happen to them is inevitable, and they are not in control of circumstances. This paradox in organisation development has a special term which is ‘cognitive dissonance.’ This means that those individuals know they have to change their behaviour as a organisation, but at the same time fail to do so. They become ‘stuck’ or ‘frozen’.

Addressing this starts with asking the right strategic questions of yourself, your organisation and your management team. It continues when you tackle the difficult organisational questions and commit to taking positive action and sustain the momentum until you have achieved your objectives.

Change strategies drive business results
To be effective, change strategies have to be robust and build resilience into your organisation or corporate culture. They must have substance. What is really required is an appraisal of the organisation’s current
Performance and the help needed to enable you to build a culture where high performance and service excellence is the norm.

**Strategy and scenario planning**
If you use this approach, you will be in a much stronger position to build your organisation. From initial diagnosis you need to build several plans for change and ensure that these are implemented in your organisation speedily and completely.

Precision in diagnosis and in the formulation of action plans is critical. There is probably no time better than now to drive relentless improvement in how you do things – from adding value, delivering service provision, cutting down radically on rework and waste, and generally harnessing all the potential of staff to build a secure future.

**Business analysis: discovery review**
A ‘Discovery Review’ is what we refer to as using a variety of diagnostic tools or instruments that aid the diagnosis of core organisational problems and designing processes for more effective delivery of service. The important issue is that every organisation is different, and may experience some unusual problems specific to that organisation. This requires a bespoke approach, drawing up a multi-disciplinary view of the organisation.

**Partnership in design**
It is also critical that the senior management of the organisation commit to the process and facilitate the collection of accurate data, information, opinions and viewpoints. Data collection is organised precisely to generate accurate and relevant information, both quantitative and qualitative.

Change must be owned by the key players. It is vital to match external change agents with senior team players and their people to make change stick. In organisations which are dispersed in several locations, it is best to appoint a Steering Group to ensure that communication and actions are coordinated efficiently.

**Undertaking the discovery review**
From an early stage the senior manager or Steering Group have to agree to the focus, the content and the tools which will be used to collect data and viewpoints. It is usual to collect information from a customer or users of the service and an internal perspective of the organisation other than financial analysis. Below is an example, but every intervention has to be tailored to the organisation and the context in which it operates.

**Data collection methods**
The tools differ depending on the issues requiring exploration, and can range from one-to-one interviews to questionnaires, focus groups and surveys, internal and external, to your organisation.

At this stage, the senior manager or Steering Group agree the scope and depth of the process, and commit their energies to ensuring that accurate information is collected which will later become the subject of a report and presentation back to the Steering Group.

The basis of this report will be to examine and gain a clear understanding of the challenges facing the organisation, and also the actions that can be taken to move swiftly and painlessly towards a resolution of the problems.

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**Focus** | **Methodologies**
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Strategy & business objectives | Strategic analysis swot, vulnerability & risk assessment
Branding and identity | User group reviews & focus groups, questionnaires
Stakeholder, customer & regulatory, statutory review | External communications assessment, marketing, risk management, audit
Reviews of service provision: portfolio of services | User groups, questionnaires
Structural, vertical and horizontal reporting relationships | Organisational design review
Review critical processes & systems | Process assessment & design, supply chain
External communication: Web technology and presence, digital strategy and telecoms, customer relationship management | Website review. SEO Communications process and database review
Business culture, motivation, teams, communication and people | User group reviews & focus groups, questionnaires, culture assessment

“There is probably no time better than now to drive relentless improvement”
The report for business improvement

The purpose of the report is to highlight the actions that can be taken and the route adopted to best introduce these changes. An Implementation or Project Plan can then be designed and used as a template for measuring improvement. It is suggested at this time that a scorecard or dashboard of business metrics should be developed by which to measure improvement.

We find that useful measures fall into these categories.

1) Business results, audit, risk assessment, financial and non-financial measures and ratios, best value
2) Analysis of user groups, customer, stakeholder (if appropriate) measures
3) Structural process and work stream measures
4) Internal business culture, team and people metrics

Agree a strategy and goals for change

Based on the report it is important for senior decision makers to agree to a process whereby a change programme can be designed specifically to address the core problems, and ensure that the changes are planned and introduced.

The management of project implementation is critical, and for this reason, you have to work tirelessly with the senior manager or the Steering Group, to ensure that they can map progress and, if required, take remedial or corrective action if some areas of the business resist or have more difficulty introducing the changes.

A timetable of events is agreed and frequent interaction would permit speedy resolution of the problems hampering or hindering the organisation from achieving its potential.

Implementing the change: assessing readiness and resistance

Although some attest to enjoying the whole concept of change, many resist its introduction for a variety of reasons, most of which relate to the organisation not communicating sufficiently well with the key people needed to implement the change, drive it and own it. It is important to have in place all the necessary behavioural tools and processes to make this happen.

Development and implementation

It is critical for external advisers driving the change to have a strong background in organisational change so they can tutor, coach, liaise, and influence to ensure that the changes are implemented. It is important to sustain motivation, and that requires leading edge learning and change strategies.

Measurement and continuous review

‘That which gets measured gets done.’ Focus on measuring improvement and then start differentiating those tasks that add value to those that do not. The change initiative and project take on a momentum that is sustained, delivering significant business improvement.

Agreement of measurement and metrics

Agree the most appropriate measures based on a tailored balanced scorecard. It is important to incorporate these measurements into monthly reporting of the organisation’s business planning process, and amend process improvement to take account of that. It is also essential that key managers are responsible for the update and keeping of such data as is pertinent to the measures defined, and those which are most appropriate to their role in the organisation.

Communication of progress

It has to be agreed which data will be public and that which should remain private and confidential, thereby avoiding putting your organisation at risk. Internal communications is important in sustaining the drive for change, maintaining motivation and building on success and stifling the grapevine. When staff experience tangible results and can witness improvement, then the change has started to be absorbed into the fabric of the organisation and has been accepted as a necessary and important part of maintaining a strong and healthy future.

Summary

We have outlined the four key areas that we believe are central to driving change, with the ACP model highlighted as particularly valuable for the public and third sectors. Its rigour lies in its precision in collating diagnostics and analysing creative strategies to promote effectiveness and efficiencies in a challenging world.
With the advent of life membership we are attracting new members. There are still people who are engaged in management services who are not members and we would like them to join the Institute.

We can use our ‘direct entry’ route to fast track this and information is available from Brooke House.

We very much hope that our existing members will make potential members aware of this option.

- Actively promoting the IMS in your place of work
- Encourage colleagues at work as well as professional and social contacts to join the Institute
- Refer potential new members to the Journal as an example of what the IMS is about
- Remind potential members of the benefits of IMS membership, eg, education system, regional structure, recognised professional qualification
- Up to the minute information via the IMS Journal and website professional support
- Undertaking contract/consultancy work

What Next?
Contact the IMS for an application form
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