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Send your abstract to Rachel Kelly, Editor, Management Services, 27 Castle Street, Canterbury, Kent, CT1 2PX or email editorial@msjournal.org.uk.

We also want your news and points of view about what appears in this journal. Something you disagree with? Tell us about it.
In this issue of Management Services…

Cover Story

Lean has long been misinterpreted, as solely a ‘cost reduction tactic’, whereas it is a positive strategic and operational approach to build genuine and robust processes to better serve customers and end users, and can significantly improve the competitive edge.

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Annual report and accounts
Small businesses are working hard to pay taxes but are unable to compete fairly with rivals playing the system.

Amazon is not alone; Apple, Starbucks and Google have similar arrangements. Yet they consistently argue that they operate within the law (tax avoidance is legal, tax evasion is illegal) and say they make other tax contributions to the UK, such as National Insurance payments. Nevertheless, it seems incredible that these organisations can generate billions in sales but pay little or no corporation tax.

David Cameron raised this issue at the recent G8 summit at Lough Erne, saying he would push for tougher tax transparency rules. “We must fight the scourge of tax evasion by promoting a new global standard for automatic information exchange between tax authorities.”

He said that his agenda was pro-business and pro-development and that Britain was cutting corporation tax to 20%, the lowest rate in the G-7. “Low taxes are only sustainable if what is owed is actually paid. We simply cannot have the situation where a small business is working hard to pay taxes but unable to compete fairly with rivals playing the system.

As David Cameron rightly points out, small businesses are working hard to pay taxes but are unable to compete fairly with rivals playing the system. An even playing field is required. However, laying down rules is one thing, enforcing them is another. Organisations will always look for ways to gain a competitive advantage. Whether it’s making offshore arrangements to reduce tax liabilities, moving manufacturing abroad or opening call centres in Asia, the objective is the same.

So where does this leave the management services practitioner and his/her role in the organisation? Exactly as always. Whether in a large multinational or an SME, we must ensure that our skills and techniques are used to continuously improve the efficiency and effectiveness of the organisation. The fundamentals are the same whether we remain a practitioner or aspire to become a ‘captain of industry’.

“I know from my own training in the management services profession that there is no question it gives the finest introduction to business life one could possibly have and the habits and the way you look at things never leave you. It does instil in one all the things which make for a successful manager. If we could wave a magic wand and change the standards of management in Britain overnight nothing would improve the country more.”

Sir John Harvey-Jones
The Adam Smith Global Foundation held a four day festival in June, in honour of Kirkcaldy’s most influential son.

Adam Smith was born in Kirkcaldy in June 1723 and lived with his widowed mother, Margaret Douglas Smith, until he was 14.

He left Kirkcaldy for the first time to attend Glasgow University from 1737 to 1740 and commenced an academic career from which he became world-famous and the rest, as they say, is history.

The highlight of the festival – the Adam Smith Lecture – was delivered by Professor Tom Devine who was described by Magnus Linklater in The Times as being ‘as close to a national bard as a nation has’. One of Scotland’s greatest historians, he is the author of 34 books, including The Scotland Trilogy and Scotland’s Empire which formed part of a six part BBC2 major series. Professor Devine spoke on Smith’s world: The puzzle of the Scottish Enlightenment.

Other highlights included the Adam Smith Food Festival and Heritage Trail and the Adam Smith Book Festival which featured an audience with author Ian Rankin and artist Jack Vettriano, hosted by award winning journalist and broadcaster Lesley Riddock.

Marilyn Livingstone CEO of the Foundation said “This June’s festival was a signature event in Kirkcaldy’s calendar, one which will go from strength to strength in future years, to enable us to promote Kirkcaldy as an iconic tourist destination.”

Scottish Region Secretary

Winter 2013

The editorial deadline for the next issue is 7 November.

The IMS would welcome your comments about the journal so please do send us your news and points of view.

Contact: editorial@msjournal.org.uk

North West Region

Visit to the Museum of Science and Industry, Manchester

10 October

For more details about the museum please visit the website at www.mosi.org.uk. For any other information, contact Jack Noble on 01942 888829
In July, a party from the West Midlands Region visited the Football Association’s 330 acre centre, near Burton-on-Trent.

This new world-class facility for all aspects of football coaching and development includes two on-site hotels, a full size indoor football pitch, 11 outdoor floodlit all weather pitches and a full size replica of the Wembley stadium pitch.

There is a specialist sports medicine and human performance wing with leading technologies to help football players and other athletes measure their performance and recover and rehabilitate from injuries or other medical problems.

The facilities are used not only by the English national team and leading English football clubs, but also by teams from overseas including the Turkish champions Galatasaray. There is also an extensive youth coaching programme to encourage a new generation of players.

This is a significant world class facility with an estimated cost of over £100 million and we hope this investment will be reflected in the English national team performance in future years.

John Hopkinson
Chair, West Midlands Region

NW IMS members and guests enjoyed a flight deck technical tour of Concorde at Manchester airport in July.

Following a short film showing the early development of the Anglo / French supersonic passenger aircraft, the technical aspects of the exterior of the aircraft were explained.

Concorde has a moveable nose and visor system, operated in the down position for landing and take-off, to enable better visibility for pilot control. The nose would be raised for streamline flight of speeds up to Mach 2 (1350mph) to an altitude of 60,000 feet from where a quarter of a million miles of the Earth’s surface is visible.

The supersonic craft had four Rolls Royce Olympus 593 jet engines and each gave 38,000lb of thrust. Take-off speed was around 250mph and the acceleration of the craft was so great that its centre of gravity would shift too far, potentially causing drag and flight instability.

To overcome this problem, design engineers included 13 fuel tanks situated along the craft, whereby fuel could be pumped to the most appropriate tank(s) to stabilise the centre of gravity during flight.

The group was then shown inside to experience the on board craftsmanship and visit the flight deck area where detailed technical aspects of the cockpit controls were explained.

Concorde had an ‘on board’ digital computer, assisting the ability to reduce the air intake speed to each engine from 1350mph, down to 500mph, a vital design feature for supersonic flight. It was also one of the first aircraft to have auto pilot control which could control take-off, air speed, altitude, direction, and landing, all necessary for poor visibility and cloud based conditions.

This was an extra special visit to view a legend of supersonic flight engineering history.

Harry Hogg
Solving the UK productivity puzzle

The UK economy produced a reasonably healthy employment situation with over a million private sector jobs being created in the past two years. But the GDP figures have disappointed. It is also puzzling that while employment improved, productivity has fallen.

A new report from TheCityUK has taken a look at UK productivity and concluded that there are three reasons for not being overly concerned with recent poor productivity performance.

First, the productivity shortfall is not just a UK issue. Across the western world, there have been much lower rates of productivity than were seen before the financial crisis.

Disappointing economic growth is affecting productivity in many major western economies, following the financial crisis. The crisis has contributed to this productivity slowdown in a number of ways. Increased regulation in financial services, and in particular banking and insurance, has impacted on productivity.

Also, the fact that the banking system has not been able to supply capital to businesses as freely has impacted on the efficiency and the productivity of non-financial businesses.

Second, productivity is affected by the economic cycle so a longer term view is needed. In particular, the global credit boom which took hold in the late 1990s flattered the productivity of the UK financial sector and the economy as a whole. The current situation illustrates how the economy can perform when money is not flowing so freely.

The UK experienced stronger productivity growth than most other western economies before the financial crisis. Its productivity performance over the course of the 21st century has been respectable in comparison to competitor economies in Europe and North America.

Third, the flip side of low productivity is that there is a record number of people in employment in the UK, even though the recovery in output has been sluggish. Keeping people in jobs, through flexible working, and allowing companies to adjust gradually to changes in the economic climate, is preferable to rising unemployment levels.

Government commission targets resource efficiency

Members of UK parliament gathered in June to mark the launch of a new government-led authority aimed at encouraging productivity and resource efficiency in business.

The 2020 Productivity and Efficiency Commission will investigate how businesses can best shape the UK’s economy, making it fitter and more productive.

According to the commission, £23 billion is wasted as a result of misuse of raw materials. It now hopes to address four key questions:

• How can the UK improve productivity, increase efficiencies and deliver greater bottom line returns across the economy?
• How can the UK take a lead on building a longer term resilient business environment that will place the UK at a competitive advantage?
• How can the UK adapt to the increased cost and insecure access to materials and resources when our business model has undervalued inputs?
• How can the UK deliver a more stable and predictable economic environment?
UK workers experiencing unprecedented pay cuts

The UK is going through its deepest recession since the second world war, a report by the Institute for Fiscal Studies claims.

Workers have experienced unprecedented pay cuts of 6% since the global financial crisis began in 2008. Between 2010 and 2011, 70% of employees who stayed in the same job faced real wage cuts, while a third of those workers faced nominal wage freezes or cuts (12% experienced freezes and 21% experienced cuts).

The last time that such a high proportion of workers faced real wage cuts was between 1976 and 1977, when inflation exceeded 15%.

The period since the recession began has seen the longest and deepest loss of output in a century. Real wages have fallen by more than in any comparable five-year period and productivity levels have dropped to an unprecedented degree.

One of the main reasons that workers have experienced nominal wage freezes or cuts during this recession compared to previous ones is because the labour market is more flexible than it was in the 1980s or 1990s. There has been a dramatic decline in trade union membership over the last 30 years, from a peak of some 13 million members in the early 1980s to around 7.5 million in 2008. This decline has been accompanied by a reduction in the proportion of employees covered by collective bargaining, which appears to have made it easier for employers to hold or even reduce wages.

Productivity commission slams electricity reforms

The Australian Productivity Commission has slammed state and federal governments over their inadequate reaction to skyrocketing power prices, saying last year’s reforms fell short and calling for the privatisation of state power assets.

Average electricity prices have risen by 70% in real terms from June 2007 to December 2012 on the back of spiralling network costs in most states, partly driven by inefficiencies in the industry and flaws in the regulatory environment.

In a scathing report into electricity network regulation, the commission said state-owned network businesses have conflicting objectives, which reduce their efficiency and undermine the effectiveness of incentive regulation.

‘Their privately owned counterparts are better at efficiently meeting the long-term interests of their customers,’ says the report. ‘State-owned network businesses should be privatised’.

Malaysia enjoying record productivity growth

The Malaysian economy is anticipated to achieve a productivity growth of three to four per cent this year. Based on the Productivity Report 2012/2013, this forecast would be supported by the current performance of the various economic sectors.

The construction industry was expected to register a productivity growth of 13% and an output growth of 15% this year, supported by oil and gas, transport and utilities sub-sectors.

According to Productivity Corp chairman Tan Sri Azman Hashim, Malaysia registered a productivity growth of 2% in 2011. He said that the increment reveals that the Government Transformation Programme and Economic Transformation Programme (ETP) has escalated the productivity performance of several economic sectors.

Construction experienced the highest productivity growth, followed by manufacturing with a growth of 4.5% and the services sector which grew 1.8%. Tan Sri Azman Hashim said productivity is a vital component of competitiveness in the environment of a borderless world.
Book reviews

Getting Organized: Improving Focus, Organization and Productivity

Title: Getting Organized: Improving Focus, Organization and Productivity
Author: Chris Crouch
ISBN: 0975868098
Publisher: Dawson Publishing

Getting Organised is a collection of simple ideas that address at least six major issues that could be generating chaos and disorder in your life.

The ideas are presented in a simple format, with specific suggestions on how to put each idea to work, so busy people can find the time to read and try them.

Even if you've tried unsuccessfully to get organised before, consider reading this book. You'll find effective solutions to your organising challenges and will enjoy the benefits for years to come.

Much of its content is obvious, but that is its key message. It asks, do we take time each morning to set a focus and key priority list for the day, or do we omit this simple step? Do we fall into the trap of checking email 'just for a few minutes' first and then get seduced into progressing unimportant issues while missing the big picture...

Productivity and Employability Skills

Title: Productivity and Employability Skills
Authors: Mile Dillon and John Heap
Publisher: Institute of Productivity
ISBN: 9790957272620

Graduates are bright, intelligent and well-educated but they often have trouble adapting to a world of work where they are constrained by the nature of ‘organisation’ and a lack of awareness of what is expected of them.

This book prepares students and new employees more generally for that world of work by developing a range of skills related to the kinds of tasks they will have to complete in a work environment. However it does this in the context of productivity improvement so that not only will the student be able to make a contribution to the working of the organisation, he/she will also be able to contribute to the more efficient and more effective running of the organisation.

The book uses a number of practical exercises and examples to ensure that the reader is able to put what they learn into practice, and is supported by additional online materials and resources on the Institute of Productivity website.

Improving productivity in an organisation is all about people understanding their jobs and the processes and procedures of the organisation. This book takes the reader through the process of understanding this in a readable and structured way.

One of the book authors, John Heap, is a Council member of the Institute of Management Services and a former Chairman of the Institute which means this book is a recommended text on the subject of productivity improvement.

Turn to page 30 for an article from John on improving the productivity of education.
Demystifying ‘Lean Culture Change’ continuous improvement

Successful applications of Lean and Culture Change tend to revolve around profit making commercial organisations. Here, Philip Atkinson and Lance Nicholls explain how Lean Culture Change can be achieved for a variety of organisations in the private and the not for profit sector. They contend that Lean has long been misinterpreted, as solely a ‘cost reduction tactic’, whereas it is a positive strategic and operational approach to build genuine and robust processes to better serve customers and end users, and can significantly improve the competitive edge.

Demystifying Lean – simple, strategic and straightforward
Lean is a strategic and an operational issue that can bring about significant and long lasting change. Lean Culture Change is a sustained commitment to drive continuous and never-ending improvement. Strategically, Lean should be focused on developing competitive advantage that delivers precisely in many ways to the VOC, (voice of the customer), by providing effective and efficient service delivery. This principle of Lean is critical whether you provide point of sale finance for motor vehicles, insurance services, health and education or influencing government policy as an environmental pressure group. Lean thinking transcends all business sectors with a simple methodology to ‘focus on the end in mind’ and ‘seeing through the eyes of the customer’ to generate and shape error and waste free processes that support delivery to our customers, internal and external to the organisation.

Fundamentally, Lean is about customer retention and acquisition and the penetration of new and existing markets
The purpose of Lean Culture Change goes way beyond simple cost reduction strategies associated with the ‘eight wastes’ of Lean. Further, an overarching emphasis on Lean in manufacturing (and in particular the automotive sector) has alienated many change practitioners who operate outside those sectors. OD and other change management professionals recognise that Lean methodologies and culture change in particular, can have a profound effect if directed towards customer loyalty and growth in; customer acquisition and retention, the penetration in and of existing and potential markets that will harness income growth and profitability. (See applications in the public sector later in this article).

The purpose of Lean Culture Change is to secure the future of the entity by uniting its people to deliver to the voice of the customer. In the not for profit sector, Lean Culture Change drives organisational success by adding value to existing consumers, clients and service users and winning loyalty and pride. It is about developing resilient service provision, developing core staff competencies, attracting, and retaining the best people. Lean Culture Change invests in anticipating service delivery issues, developing a preventative culture of continuous improvement and implementing best practise.

We find that healthy, positive,
organisational cultures are characterised by a long-term continuity perspective, with a focus on tactics to resolve immediate short-term problems. The dominant culture should facilitate, support and reward cross-organisational working by undertaking a ‘discovery review’ that documents and diagnoses what ails the current culture.

Persistent barriers to installing Lean Culture Change

• Unhealthy negative cultures
This ‘mindset’ is the result of many failed change initiatives in recent years. Staff have adopted a pessimistic mindset, are cynical of new initiatives, and dwell in the past, which manifests itself in an unhealthy attitude of resistance to change. Until attitude changes, nothing changes. We must focus on changing the mindset and the attitude. It starts with leadership at the top and means working closely with the top team to develop sound and sensible implementation plans.

• Visionary leadership
No organisation has too much leadership. In reality, few organisations really plan more than a year in advance and their planning tends to be functional rather than organisation wide. Promoting what we refer to as ‘Lean Thought Leadership’ at all levels drives a positive change in how the organisation operates.

• Lack of confidence and self-esteem
As the force or pressure to change increases, an organisation slows down the process of managerial decision making – in terms of confidence and self-esteem. What worked in the past is no longer applicable – so a prevalence of learned helplessness tends to permeate managerial and supervisory ranks, resulting in failing to respond to challenges. This apparent lack of confidence in decision-making is projected to staff and may become evident to customers and clients. Management teams devote more time to thinking and prevaricating rather than taking action and doing. The ‘thinking – doing’ balance is weighted towards procrastination and everyone waits for others to take the lead.

As the need for change and re-evaluating structures, cultures and systems increases, organisational leaders fail to make a commitment to encourage people to seek solutions outside functional silos, to get them to work together as cross-organisational members and improving critical consumer and end user facing business processes.

• Glass half-empty or half-full
When you chart the dynamics in some organisations, you may find the split between optimism in ‘planning and prevention’ and pessimism of reactive ‘fire fighting and fixing’ is heavily geared towards the latter. This translates into focusing on yesterday’s problems rather than shaping the organisation to become more robust and resilient for the future.

Unsurprisingly, the common factor to the resistors outlined is the absence, rather than the presence, of leadership. You might want to consider whether the Transformational Leadership...
Lean – a low risk strategy for change

Lean and its related methodologies are the closest you will ever get to a series of approaches that will sustain continuous improvement. Lean is a low risk change strategy. Let’s put this in context. There are two approaches at the opposite ends of the change continuum that organisations may adopt. ‘Big bang’ is at one end and Lean Continuous Improvement at the other.

‘Big Bang’ changes are usually strategic projects and driven by major changes in the temporal environment that affect political, economic, socio cultural, technical, environmental (green issues) and legal functions of the system and infrastructure through re-engineering, IT solutions and major CRM requiring a fundamental rethink in how the business operates. Because you cannot always predict how effective the ‘Big Bang’ change will be when things do go wrong, you can experience massive amounts of failure from which the organisation may not recover. ‘Big Bang’ changes, unless expertly fool proofed, invariably have problems with their installation and implementation. If anything can go wrong in that major strategic change – it usually does!

Big Bang often does not work because there is a failure to align all stakeholders, as well as attracting inherent organisational baggage and inherited cultural inertia, staff resistance and customer believability. It is ‘high risk’ because the scale and scope for project implementation requires so much depth that project managers may not have planned the way around the socio-cultural barriers, managerial roadblocks and inherent pitfalls that previous change initiatives left unresolved.

For ‘Big Bang’ strategies to work requires a superior Lean management and business system based on ‘best practise’ that is equally reliant on process as well as cultural improvement. To resolve these issues requires change and project managers to be expert practitioners in cultural and behavioural change.

The great thing about Lean is that it is a revolution through evolution. It provides great value for customers, clients and service users because it ‘believes’ in constant and never-ending improvement through the most valued resource – your people! It is flexible and pragmatic. It works using the ‘Discovery Review’ on the gap between services currently provided ‘current state’ and focused on improvements for ‘future state’ desired service delivery.

It focuses on evolutionary planned and gradual persistent change for improvement – concentrating on how we can do things better.

- How can we reduce the cycle time of our processes whilst reducing error rates?
- How can we improve the quality of decision-making?
- How can we reduce error rates whilst speeding up delivery to the customer?

Lean focuses on the ‘value stream’ using basic principles of process and value stream mapping to explore current and future state service delivery.

Training: ROI of Lean for managers

- Start with the end in mind
- Demystifying Lean Six Sigma
- Benefits that accrue
  - Finance and ROI
  - Service user
  - Staff
  - Service delivery
- Discovery review
- Map your readiness for change

• ‘Vital few’ projects – implementing that work
• Pre-requisites for introducing Lean
• Your leadership
• Lean pilot projects
• Communication Lean
• Controlling and monitoring ROI
practise, and resolve how to traverse the gap to service excellence. The nature of Lean focuses on developing a culture of engagement and participation. It is about listening to those who work in core business processes and give them equal weight in decision-making (short Interval Leadership) to those who may manage the process.

**So how can you start on your journey to Lean?**

No route is ideal because different organisations occupy different locations on the ‘transition curve’ or readiness for change. What works in a medium sized commercial organisation working in FMCG, will not work for a public sector organisation that is under intense pressure to change. What all organisations have in common is a need to educate and develop their staff at all levels in adapting to change. For instance, it may be appropriate to focus on outlining how an implementation strategy can unfold – and that must be based on a serious diagnosis or ‘discovery review’ that documents and outlines the core issues that have to be addressed to ensure that implementation of Lean Culture Change (LCC) is maximised and is as pain free as possible.

**Facilitation and learning**

The acquisition of advanced facilitator and internal consulting skills, together with advanced Lean methodologies using the Plan, Do, Check, Act cycle is central to driving continuous improvement. It is about getting people to work on perfecting core processes that span the myriad of functions in your organisation. It is about transcending functional boundaries and working to deliver best value to the voice of the consumer or end user.

It is imperative that organisations equip their staff with Lean skills, but Lean is not only about getting associated Six Sigma yellow, green or black belt accreditation for your people. It is so much more than that! What is important is how you apply the training. Theory can be great but success is dependent on implementation. Having 50 people as green belts and one or two black belts who have been trained in Lean is going to give you benefits – but real success comes from the confidence to apply the methodologies and tools in practise.

**Implementing Lean Culture Change**

Lean is a ‘low risk’ change strategy as long as the readiness for change has been evaluated and several pilot projects undertaken. The culture change comes about by using Lean methodologies with enthusiasm and confidence. The whole idea of Lean is to establish best value and practise in everything you do and it is useful at this stage to start thinking about everything you do as a process. Central to Lean is value stream mapping that focuses on concentrating on where you add most value for the consumer or service user.

**Developing a process mindset**

Right from the start, it is critical to get people to start their own ‘system thinking’ mindset with every issue they will explore. Everything we do is a process – whether we are running a training session or completing a procurement request. We can always do something – cheaper, quicker or in a shorter cycle time, using resources more effectively and adopting an error free or right first time mindset.

Imagine the power of engaging all your staff to adopt this mindset. Here are examples of how this could work in a commercial organisation.

**The commercial world: Processes out of control**

Too many processes are out of control and stay out of control because people are not aware...
of the implications of failure to the whole system. The continuity of the core business activity is at risk. Imagine the dangers associated with processes being out of control that relate to:
- Inability to break down profitability according to clients and market segments;
- Ambiguous cost estimates of provision of core services to clients;
- Inability to develop a robust recruitment process for core staff in a call centre;
- Unclear escalation processes for dealing with serious client complaints;
- Poorly monitored warning system identifying potential ‘high value’ client defections to competitors;
- Undocumented policies on diversity and equal opportunities;
- Ineffective competitive monitoring on price, value, after service delivery;
- Procurement of major IT spend based on personal preference or ease of supply;
- Unreliable data and records of employee absence, sickness and holidays, discipline;
- Accuracy of appraisal documents for performance management;
- Failure to check for accuracy with external communications with investor and press releases;
- Error proofing across functional silos.

Too many processes are not measured, and this becomes even more critical in complex interactions with multiple stakeholders where we need to ensure that the whole supply chain understands what information, decisions and standards have to be applied in each stage of the process. By focusing on detail, we can agree requirements and stop making assumptions.

Just by looking through these issues, we can better understand how Lean Culture Change is the best way to introduce continuous improvement focused entirely on the consumer of the service.

**Public sector focusing on Lean Culture Change**

For instance, how could local authorities and other public or third sector organisations start their journey to Lean Culture Change? There are a myriad of processes, which, if explored, could yield significant benefit for service users and consumers, as well as eradicating wasted activity, time, errors, and rework. More than that, this exercise would remove ‘non value added’ activities from their staff, not with the purpose of reducing headcount, but, rather, provide more sophisticated value-added services for the end user or citizens.

**Local authorities commitment to continuous improvement**

Many authorities are pursuing Lean Culture Change as a valuable exercise and have made significant improvements just by working through, and learning from case examples of how similar organisations, in the same sector and providing similar services in different locations and geographies, have tackled common problems. This list of processes common to all local authorities (currently 433 in England, 22 in Wales, 26 in Northern Ireland and 32 in Scotland with a gross expenditure of £175 billion per year) illustrates how small Pilot projects could be used to significantly improve overall performance and generate value for money.

**Services and processes common to all 513 local authorities – UK and NI**

Processing of planning applications and building warrants; provision of care – scheduling care visits and integration with local NHS Trusts; tendering for Council work; calculating teacher; pupil ratios, resources and classroom assistants; monitoring students and pupils records of achievement; providing housing repair; governance and control of internal Council processes; Council induction process; development of Council risk management appetite; repairing roads and potholes; career guidance for school leavers; dealing with complaints to the Council; IT and consumer helpdesk; commercial waste collection and billing; landfill and hazardous waste disposal; coordinating waste management and household waste; salting roads; educating citizens on household waste and green policies; welfare fund applications; applying for Council Tax relief and discounts; allocating Council houses and coordinating with housing associations and similar clients; distribution and control of blue badges; meals on wheels; applying for various grants; food safety inspections; dealing with ROI on Council projects; homelessness; debt management; billing of rates and Council tax; pest control; rent collection; Council Tax collection; parking fines.

Bearing in mind that local authorities are responsible for £175 billion expenditure in services in the UK (that’s over £2900 per head) consider how service delivery improvements in the provision of public service could be made by committing to Lean Culture Change.

Further, consider that £175 billion represents only 24% of total managed government expenditure in 2011/2 (imagine the figure in 2014) with central government spending a further 74% of the total of near £750 billion in public expenditure. Also consider the vast sums that commercial organisations waste in developing new ventures and reworking core processes.

I think we can all see that whatever the sector of the economy, organisations can commit and improve service delivery by adopting
Lean Culture Change. What is central to this process is leadership in the process and a focus on implementation of continuous improvement.

**Review and summary**
Lean Culture Change can be a reality in all variety of industries, from financial services, banking, process engineering, genetics, retail operations, logistics and manufacturing to the provision of professional services including accountancy, audit and legal services. There is also additional scope for immediate improvement in the other than profit sector, including health and educational provision. For instance, in the healthcare sector, many NHS Trusts in England, Wales and Northern Ireland and NHS Boards in Scotland have implemented Lean methodology and generated significant success in improving the patient pathway.

In the private sector, commercial organisations are generating a myriad of benefits from installing Lean practise into their customer focus strategies. Lean has been introduced as a strategic initiative, but also has been easily implemented initially as a ‘bottom-up’ OD intervention and used as a tactical methodology to prove how engagement at the local level in problem solving and continuous improvement can permeate up through organisations.

The methodology of Lean is concerned with investing in the prevention of errors, not correcting them or inspecting them out of the process. Only by committing to this cycle of improvement can we develop a preventative organisational culture, which adds significant value for end users and customers.

There is real scope for re-engineering of service provision using Lean Culture Change to bring about continuous improvement. We can witness the realities and practicalities of larger Lean Culture Change, and its impact on customer service, retention and acquisition if we embark on the journey by demystifying the whole concept and application of Lean and use it as a process for continuous improvement.

"Developing engagement strategies is the key enabler behind Lean”

**About the authors**

Philip Atkinson specialises in strategic, behavioural and cultural change. Philip is a specialist in OD, an Executive Coach and a Lean Six-Sigma Black Belt Coach. He is a member of various training consortia and has recently focused on creating innovative business simulations through learning strategies. He consults in the UK, Europe and USA, has written seven business books and published over 300 articles in management journals. He is a speaker at conferences and runs workshop sessions for a variety of organisations. Email: philip@philipatkinson.com or visit www.philipatkinson.com

Lance Nicholls specialises in the strategic, tactical and operational application of Lean Systems within service and manufacturing industries. He is a member of various training organisations and consulting groups and recently has promoted and developed innovative cost effective solutions via Lean and Six Sigma E-Learning programs. He consults and trains Lean Systems Thinking in the UK, Europe and USA, and has written and published many articles. He is a speaker at seminars and runs Lean events for organisations who aspire to be world class. Email: lance@zenithleantraining.com or visit www.zenithleantraining.com
How to spot a destructive leader

By Andrew and Nada Kakabadse

“The effectiveness of leaders depends on their relationship with others, as well as their ability to conceive a vision of the future.”

About the authors
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Why do some leaders seem set on the path of destruction?

We carried out research across a group of international companies to understand more of this curious phenomenon. Some leaders are set up to fail: they face impossible tasks trying to lead corrupt, incompetent organisations that resist appropriate processes. However, there is a difference between a failed and a destructive leader. While failure usually occurs through a lack of quality, destructive leaders can be gifted with charm and determination, but when something goes wrong their self-confident behaviour can rapidly spiral out of control.

Leadership is a great art. It can test people to the limits of their ability, endurance and stamina. There are cases of exceptionally brave, skillful and wise leaders. Often they are mavericks who have triumphed in unusual circumstances. Yet we can learn lessons from those whose star rose high only to explode into destructive behaviour, damaging not only their own career but also the organisation they were trusted to lead.

Some leaders are quite simply not up to the job, and instead focus on their own self-importance. Lacking the necessary capability, they convince themselves that they are great leaders, but in reality they are deceiving themselves and those around them.

Our research into effective and destructive leaders

Our research indicates that the effectiveness of leaders depends on their relationships with others, as well as their ability to conceive a vision of the future, communicate it, and create the conditions to successfully realise that vision. When it comes to destructive leaders, there are two key criteria that help reinforce destructive leadership:

• Environments which are likely to facilitate toxic leadership, including organisations which are unstable with many perceived threats and a lack of checks and balances;

• A culture that allows a leader to develop a pattern of overt grandiosity, self-focus and self-important behaviour which is clearly exploitative and sometimes parasitic.

Leaders are in a position of trust and organise resources, in effect, without supervision. They also tend to react more strongly to issues which are likely to have immediate effects, as opposed to those that will impact in the future.

Destructive results do not just come from leaders, but also their supporters. A leader’s degree of selfishness will affect their followers, whose responses constitute a form of feedback that either moderates or worsens destructive behaviour.

Blaming others for their problems is an approach some adopt when they lack the necessary ability to lead. They become suspicious and mistrustful of those who are bright enough to cope, and become progressively more paranoid.

As this paranoia spirals out of control their behaviour turns increasingly destructive as they become more argumentative, belligerent, hostile, secretive, stubborn and consumed by mistrust.

Four types of destructive leader

From our research, we identified four types of destructive leader behaviour:

• Deluded;

• Paranoid;

• Sociopathic;

• Narcissistic.

The deluded leader is in denial about themselves, the constraints around their work and the details of past occurrences. We discovered that the deluded leader displays destructive behaviour in their inability to make timely decisions and most simply by an inability to get things done.

The paranoid leader is suspicious of others, always ready to fight seeming threats and with extreme worry for concealed motives and unique meanings. We found that the paranoid leader exhibits destructive behaviour that is characterised by an intense attention to spin, rationalised by an all pervading mistrust of others.

The sociopathic leader consistently disregards and violates other people’s rights. They exhibit destructive behaviour characterised by indifference to having hurt or mistreated others and a consistent lack of remorse.

The narcissistic leader is resistant to change. They know that their way is best and have an inability to recognise their many limitations. We discovered that the narcissistic leader displays destructive behaviour that is characterised by a lack of capacity to learn from others or experience, and a refusal to take accountability or responsibility.

Using a model we devised the types of destructive behaviour can help a leader in his or her task to diminish its worst effects on others and, by understanding the costs of his or her own destructive behaviour, offer the insight required to lessen its most negative effects.

A feature of leaders prone to destructive behaviour is a persistent failure to take responsibility for their own actions. As such, a shift in corporate governance process and practice may help to mitigate the worst excesses of leaders prone to destructive behaviour.

The importance of insight and understanding

A leaning towards destructive behaviour is an unattractive characteristic of any leader, but is a real problem for the organisation where the leader operates. We would be naive to act as if there is a cure; however, understanding the types of destructive behaviour can help a leader in his or her task to diminish its worst effects on others and, by understanding the costs of his or her own destructive behaviour, offer the insight required to lessen its most negative effects.

Capable leaders differ widely in their personalities, strengths, weaknesses, values and beliefs, but they all have one thing in common—they get the right things done. Why do some leaders become either pathologically destructive or intensely inspirational? In large part it boils down to the choices they make, and the behaviours they adopt. The worst believe they are special, entitled to more positive outcomes in life than others, that they are more intelligent than they actually are, and better in their exertion of power and dominance than others.

Participants interviewed as part of our study noted that the destructive leaders they encountered showed no recognition of the moral consequences of their actions, or whether their acts were ethical or unethical. They were quite simply selfish and focused on their own needs.
“In themselves, many management models, techniques and approaches are neutral. It is how they are used and for what purpose that will determine whether they help or harm us.”

Professor Colin Coulson-Thomas presents his paper to the Dubai Global Convention on Business Excellence.

At the Dubai Global Convention on Business Excellence delegates reviewed different approaches and models for achieving business excellence and considering what changes might be needed to address contemporary challenges and opportunities. Are existing models still fit for purpose or are they an unnecessary distraction? Can they contribute to continuing relevance, vitality and competitiveness?

The convention represents an opportunity to compare different approaches to business excellence and explore their relevance to sustainability and other current concerns. Is minor amendment required or more fundamental review? Are there more affordable alternatives that could contribute more directly and quickly to the achievement of key corporate objectives? Should existing excellence models be developed or discarded?

The author played a modest role at the inception of one widely adopted business excellence model, namely by co-chairing with the then Secretary-General of EFQM a meeting of quality directors of major European companies hosted by BMW in Munich. The meeting was called to discuss findings of two reports – Beyond Quality and Beyond To business excellence.
Business excellence

“...A common failing in the routine use of an excellence framework is that far too many projects are initiated and approved.”

and Quality: the Next Steps, based on the author’s research. It concluded that a more holistic approach was required. EFQM undertook to investigate how best to do this.

The outcome of these deliberations was the development of the first version of the European Quality Model which drew, in particular, upon a management model used within Xerox and Rank Xerox. Perhaps not surprisingly Rank Xerox was the first winner of an associated European Quality Award that assessed performance and achievements according to the wider range of factors within the new model.

In themselves, many management models, techniques and approaches are neutral. It is how they are used and for what purpose that will determine whether they help or harm us. Operating a business excellence framework can prove an expensive distraction or turn out to be a crucial contributor to corporate success, depending upon the thought and rigour that is committed to its use. Often important choices have to be made.

At some point in a business excellence or management model there may be a stage at which areas and opportunities for improvement are identified. One can then make a selection from a variety of techniques and approaches that could be employed according to the nature, extent and timescales of improvements required.

Horses for courses

The approach which is most appropriate is invariably a matter of horses for courses. A simple quality tool could be used by operatives to quickly make a local improvement. A larger and more strategic step might require re-engineering and the acquisition of new technology. Such projects can be expensive and disruptive and it may take a year or more for them to deliver results, which may or may not prove beneficial. It may be possible to initiate a number of quality or process improvement projects in parallel. Fundamental restructuring or re-engineering projects are likely to be fewer in number. Their greater cost and a requirement for specialist and external support may limit their use to where an organisation has clearly fallen behind and needs to catch up, or where an opportunity has been identified to gain a clear competitive advantage.

In relation to purpose, exercises can be undertaken for a variety of reasons, for example to cut costs or speed up responses. Sometimes different initiatives can have a variety of rationales and if there are too many of them they may conflict and get in each other’s way. In other organisations there may be greater consistency, for example a common theme of focusing primarily upon reducing the cost base.
Too many initiatives
Large numbers of single issue initiatives can be confusing for the people of an organisation. An extensive portfolio of projects can be difficult to manage. People may feel as though they are being pulled in different directions by conflicting demands. Initiatives may compete for attention and resources. A single theme may help with alignment, but can still result in conflicts with other objectives and trade-offs.

Operating an annual business excellence cycle in a mechanical way might be appropriate for an organisation in an established, mature, static or declining market when margins, profitability and matching competitor prices may depend upon making a succession of improvements. However in rapid growth situations, when innovations are occurring, or a step change is required to catch up, differentiate or be competitive, a more focused and thinking application is likely to be required.

A common failing in the routine use of an excellence framework is that far too many projects are initiated and approved. People in many companies and large areas of the public sector are suffering from initiative overload.

The author recalls addressing the top team of a multinational company that had over 8000 quality improvement projects world wide, and asking its 40 most senior executives to identify what each of them felt were the top factors that would determine whether or not the corporation would survive in the face of intense competition. A simple ‘post-it note’ exercise completed over a tea break resulted in a prioritised list of 11 ‘challenges’. Going around the room and asking each participant how many of the improvement projects for which they were responsible related to these challenges was a sobering experience. One director thought one quality improvement project might relate to the eleventh and last factor on the list.

This US multinational was passionate about quality and business excellence. Yet the reality was that thousands of people around the world were working hard on over 8000 initiatives and not one of these was thought to be related to the top 10 challenges facing the corporation. Not surprisingly – and within a few years – what was once a household name company was overtaken by events and is now a pale shadow of its former self and largely forgotten by most consumers.

The author has encountered many companies around the world whose commitment to business excellence has simply resulted in far too many initiatives. Teams of people have worked hard on improving areas that have not been differentiators or visible to customers. They have not applied simple tests such as whether a project would be a source of competitive advantage or have a significant impact upon the customer.

Importance of focus
On another occasion, the author facilitated a three day review of the change and transformation programme of a financial services company based in the Middle East. At the time it was similar to its competitors in many respects. However, this company did take advice and massively pruned the number of improvement projects it planned to undertake. It just kept the projects whose results would be visible to the customer groups it was targeting and which would differentiate their banking experience. The bank quickly secured a high proportion of the customers it was seeking to attract.

There are much more affordable, quicker and less disruptive ways of transforming performance than the costly, general and multi-year initiatives found in many corporations."
address these deficiencies by embracing a wider range of factors, particularly in terms of results sought. One consequence of more holistic approaches and their application to the full range of corporate activities has been a significant expansion in the number of initiatives being undertaken within a single organisation. Enthusiastic adopters have encouraged the review, and where it is thought necessary, the improvement of all areas of operation, irrespective of their significance for customers and priority corporate objectives.

More affordable approaches
A recent five-year investigation by the author found there are much more affordable, quicker and less disruptive ways of transforming performance and ensuring continuing competitiveness than the costly, general and multi-year initiatives found in many corporations. The greater impact and quicker results of approaches set out in the Talent Management 2 and Transforming Public Services reports is due to a number of building blocks, one of which is a greater focus upon key corporate activities.

The author’s Winning Companies; Winning People research programme has identified critical success factors for important corporate activities such as winning business, building customer relationships, and pricing, purchasing and creating and exploiting know-how. The investigations identify and rank outcomes achieved and compare the approaches of top-quartile performers (winners) and bottom-quartile achievers (losers) to determine what the top performers do differently.

The findings are sobering in that even the top-quartile performers are typically only very effective at less than half of the identified critical success factors. More disturbingly, in many organisations most of the change and improvement initiatives one encounters do not relate to identified critical success factors for key corporate activities. The initiatives one observes either do not touch these crucial activities that contribute directly to priority objectives, or they get in the way when they do.

More encouragingly, the investigations show that the performance of every participant in every survey – over 2000 companies and over 500 professional firms – could be quickly improved by simply putting in place additional critical success factors. These are set out in over 20 research reports. Simply focusing upon certain key jobs that contribute disproportionately to priority objectives and stopping other activities can save resources and have a massive impact upon performance.

Perhaps most encouragingly of all, the distinctive approaches of ‘superstars’ can be captured and shared so that average performers can emulate their superior ways. Building critical success factors and the approaches of top performers into performance support can make it much easier for average achievers to understand complex areas and excel at difficult jobs.

Providing better support
Job related performance support that is available on a 24/7 basis, and which can be quickly and automatically updated, can help people as and when they face particular problems or challenges wherever they might be, including when on the move. Support can be provided over the internet and by widely available technologies such as mobile devices, including lap-tops, tablets and the latest generation of mobile phones.

The great advantage of performance support in comparison with other approaches is its affordability and the fact that it can quickly deliver huge returns on investment when applied to critical jobs. Crucially, it usually does not require a change of culture or structure or large investments in new technology. It can also enable people to cope and succeed as situations and circumstances change, which is a decided advantage in an era of uncertainty.

Applications of performance support set out in the
shifting corporate priorities, changing market environment, rapidly adapting to match a prevent an organisation from of their requirements. It can customers and the satisfaction an obstacle to progress and ways of operating that can be organisation. Improving them of areas and activities might result in significant business excellence initiatives. There is a real danger that set out in corporate manuals. procedures and approaches very differently from the captured and shared operate superior approaches are the top performers whose does the fact that very often significant market share. The re-engineering exercise was subsequently abandoned. Writing off of its enormous cost significantly dented the company’s financial results for the year in which it was stopped. In the meantime, a competitor had introduced a similar but inferior product to the one whose launch was postponed and gained a significant market share.

An advantage of performance support is that its adoption can be bespoke to address the particular problems of those working in key jobs. One can start where there are pressing problems and the approach works with whatever structures, cultures and systems are in place. It is also easy to scale up and roll out across a global organisation. Applications can be extended and people involved as required.

Whereas ‘traditional’ approaches can inhibit innovation, early adopters of performance support have used it to facilitate innovation and roll out new products. The approach can also incorporate social networking and other means of securing and sharing feedback. It also integrates working and learning. Applications can be designed to enable users to become more competent and confident with each use.

Business excellence approaches can encourage adopters to seek to improve existing operations and corporate bureaucracies rather than reform or replace them. They also attract various vested interests ranging from internal staff to external consultants who might not be required if simpler and more focused approaches were adopted. One might actually need a corporate bureaucracy to utilise all the various tools and techniques that could be employed at each stage of some models.

With any approach there could be a risk of loosing sight of the customer when there is a strong focus on internal corporate needs. Performance support can engage and empower customers and involve them in its development. By enabling certain groups within a corporate bureaucracy to be bypassed it can also weaken internal lobbies and exclude those with their own agendas, perspectives and self-interests.

Key questions to address
Modern corporations are networks of internal and external relationships. How does one extend the coverage of business excellence models to virtual teams, collaborating and partnering organisations and the co-creation of value with customers? Applying comprehensive general models to a wider supply chain can be problematic. However, task related performance support can usually be easily and quickly extended to embrace business and channel partners.

Are business excellence approaches relevant to transforming relationships? Should we apply standard and general models to the very different activities found in today’s companies? Should
organisations drop business excellence models and move on? Could the drawbacks of many adoptions be addressed by more effective application?

Are ‘too many initiatives’ an inevitable consequence of using business excellence models? Does the use of a ‘balanced scorecard’ invariably result in managers having to deal with too many measures of performance? What are the activities that most impact upon the delivery of key corporate objectives? Should there be a greater focus upon fewer but more strategic and enabling factors?

Have applications of contemporary excellence models become too complex? Are there too many different elements to consider? Less can be more. Are discussions at too high a level? Should people be looking at particular jobs rather than ‘corporate cultures’? The iteration and review of models, using them to focus and differentiate, and incorporating learning and feedback are essential in dynamic environments.

There are many questions for speakers and delegates to the Dubai Global Convention on Business Excellence to address. Widely used models now embrace factors relating to the management of people, but what about the management of knowledge and the exploitation of know-how? Performance support makes relevant know-how available when needed. Do business excellence models sufficiently address competitiveness and sustainability? Do they engage and involve customers and other stakeholders?

Crucially, do some applications of contemporary business excellence models entrench top-down ‘old leadership’ with the attention their adopters often devote to motivating and managing people rather than helping them? In today’s world one works with stakeholders for mutual benefit. One collaborates rather than leads. ‘New leadership’ shifts the emphasis from top-down approaches to the provision of better support. Whatever approach is adopted certain steps are especially important, particularly those which select which areas and activities to focus upon. If business excellence models are used to identify and focus on key jobs and performance support is used to make it easier for people to excel, the two approaches could prove complementary. Adaptation and a bespoke and more thoughtful application of a general business excellence model could pay dividends for many organisations.

Business excellence models and approaches are widely used. The Dubai Global Convention provides an excellent opportunity to discuss, refresh and re-energise them. When properly used, a holistic approach to business excellence can become so much more than an annual ritual. It can live. It can ensure a focus on key areas for improvement and critical success factors. It can be a framework for sharing best practices. It can enable a company to remain relevant, current and vital.

About the author
Prof Colin Coulson-Thomas, an experienced Process Vision Holder of successful transformation programmes and international Change Agent and Transformation Leader award winner is author of Winning Companies; Winning People, and Talent Management 2 and Transforming Public Services on a more affordable route to high performance organisations.

He has helped over 100 boards to improve director, board and corporate performance, and spoken at over 200 national and international events in over 40 countries. He was the world’s first professor of corporate transformation and is a member of the business school team at the University of Greenwich and an adjunct professor at Manipal University.

His latest publications can be obtained from www.infoed.com and he can be contacted via www.coulson-thomas.com.
Overcoming the pitfalls of performance measurement systems

By Dr Veronica Martinez and Dr Dina Gray, Centre for Business Performance, Cranfield University.

Over 40% of organisations worldwide use performance measurement systems, but not all of these systems work successfully. A vast body of research argues that performance measurement systems are beneficial to the goal attainment and effective management of organisations. Although human nature means people focus on the benefits there is never gain without pain. This is why other researchers have argued that performance measurement systems also have negative effects on organisations (Smith, 2002; Argyris, 1990; Ittner, Larcker and Meyer, 2003; Kerssens-van Drogelen and Fisscher, 2003).

Unfortunately, however, little research has focused on how to overcome with these negative effects of performance measurement systems.

A study by the Centre for Business Performance at Cranfield University has found that there are four major pitfalls in implementing a performance measurement system. These are: time consumption, bureaucracy, overcomplicated measures and misleading prioritisation.

Unfortunately, many organisations are unaware of these, but they really need to be before setting out to make use of performance measurement systems.

How to overcome the top four negative effects of performance measurement systems

• Efficient use of time

“The four major pitfalls are time consumption, bureaucracy, overcomplicated measures and misleading prioritisation.”

Avoid measuring everything you think you can measure. Instead, focus on measuring what is strategically important for your organisation. The selection of measures will require input from your team.

• Reduce bureaucracy

Too many measures will make your performance measurement system bureaucratic. Our research shows that 12 to 15 simple measures are the optimal number to keep employees interested and focused on performance. Ideally, four to six of these measures should be linked to the key strategic objectives of the organisation.

• Do not over-complicate your measures

Overcomplicated measures become difficult to understand and manage. They make employees lose focus and interest in them. Avoid composite measures and instead co-develop simple and clear measures with your employees. The negotiation of measures and targets are an important part of this discussion.

• Prioritisation

When a ‘red’ measure flashes, in a traffic-light reporting visualisation system, it gets peoples’ attention – 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. Instead of immediately reacting to a red measure, reflect on the priority and importance of the measure before you act.

To learn more about how to overcome to the top four pitfalls of performance measurement systems in 60 seconds, visit tinyurl.com/qdb62wm or follow this discussion on twitter at https://twitter.com/CranfieldCBP or read our new book Measurement Madness: Avoiding Performance Management Pitfalls (amzn.to/1dvXKal).

Our reports, papers and tools are available at the Centre for Business Performance website www.som.cranfield.ac.uk/cbp/

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Veronica Martinez is the Principal Research Fellow in the Centre for Business Performance at Cranfield School of Management. She has been working in the strategy, performance management field since 1998. Veronica has led and participated in large European and UK research projects in products and services and her major research interests revolve around the fields of service performance, value creation and performance measurement and management systems.

Dina Gray was formerly the Director of Intellectual Capital at AIT Group plc, and is now a Visiting Fellow at Cranfield University. Dina has held a number of Non Executive Director roles and was a governor of Middlesex University for 10 years. Dina’s interests are now focussed on how a company can best develop and use its resources to help an organisation become more effective and deliver better value.
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Intuitive intelligence in leadership

Can you think of an occasion where you’ve had a gut feeling that something wasn’t right about a significant business issue but didn’t listen to your intuition and later regretted it? Do you often doubt your intuition in favour of hard evidence to support your business decision? If so, you may be underutilising one of the most powerful leadership tools, your intuitive intelligence.

We use our instinct and intuition in many facets of our lives. It may be one thing to do so in your personal life – but perhaps quite another to use it at work?

Many people may feel that intuition has little or no place in business, that decisions should be based on empirical evidence rather than on trusting your gut feeling. But there is increasing evidence that intuition is more than merely a feeling. Many scientists now believe that it is, in fact, the result of our brains piecing together information and experiences to come to different, and less obvious solutions and conclusions.

Publications, such as *Intelligent Memory: Improve the Memory That Makes You Smarter* by neuroscientist Barry Gordon, show that decision-making and intuition are inextricably linked.

Leadership experts and those working in organisational development give a lot of credence to IQ and EQ (emotional intelligence) but in fact ‘intuitive intelligence’ is perhaps the greatest weapon for business decision making. Some people think that if they’re not creative they don’t have much propensity for intuitive thinking. They assume that intuition, like creative thinking is a right brain
Do you trust your gut when it comes to the big stuff? Instincts and ‘hunches’ may have a comforting influence on day-to-day decisions, but when it comes to major strategic choices and matters of great complexity, intuition doesn’t often get a seat in the C-Suite.

Leaders are more likely to rely on hard evidence and data, logic and rational analysis to support their biggest and most important decisions. However, recent insights and discoveries in the field of neuroscience have given new importance and credibility to the role of intuition in leadership, especially when it comes to decision-making.

In developing the strategic skills of senior management in the corporate universities of several of the world’s largest corporations, (eg, Telefonica, BASF, Metro AG), the Oxford Leadership Academy rates ‘intuitive intelligence’ as one of the most important areas of leadership development.

Brian Bacon, Chairman and Founder of Oxford Leadership Academy, discusses how they develop the intuitive intelligence of leaders and why it is a critical factor in leadership development...

“Intuition is a learned skill, and the more you use it, the more reliable it becomes.”

function, however, whereas many skills and capabilities are relegated to the ‘left’ brain, or ‘right’ brain, intuition is a ‘whole’ brain function.

I’ve spent much of my career working with some of the world’s largest corporations, and some of the best managers and strategists used their intuition first before looking to back it up with facts; almost as if the intuitive approach was the starting point and the measurement came afterwards. Intuition needs to be trained. It’s a learned skill, and the more you use it, the more reliable it becomes.

Definition
The Oxford Dictionaries define intuition as ‘the ability to understand something instinctively, without the need for conscious reasoning’. We sometimes think of it as something magical, quixotic, somewhat unreliable because, often, what passes for intuition often can’t be trusted. Freud introduced us to the idea that what we think we know about ourselves may have nothing to do with what is actually going on in our psyches. More than a century of research clearly demonstrates that some of our behaviour is directed by unconscious wishes or beliefs that are the exact opposite of what we think we want or believe to be true. Recent neuroscience research has added to this the sense that we can’t always trust our thoughts or feelings to tell us what is going on inside of us. But, with intuitive intelligence we can know. Imagine you’re at a noisy party, trying to make yourself heard amidst the din of the crowd. Suddenly, someone speaks your name – and you snap to the voice instantly, loud and clear. Psychologists call this the ‘cocktail party’ effect. It shows that we hear as ‘loudest’ the thing we deem most important.

What goes for cocktail parties also goes for the voices in our heads. Somewhere in there, among the worries, doubts, questions, advice, and roar of the crowd, lives your intuition, your ‘inner voice’. You can hear it to the extent that you have honed your intuitive intelligence well enough to give it your undivided attention – and know yourself well enough to distinguish valid intuition from wishful thinking, ego or unwarranted attachment to an idea.

Learning to use intuition
Intuitive intelligence can be trained. We can learn to use intuition in trustworthy ways to address issues large and small – to create opportunities, develop a plan, solve pressing problems, open up new possibilities, resolve a dilemma, etc.

Those who are training to sharpen their cognitive sensors are encouraged to use their intuitive senses when they are making decisions. This is especially beneficial when you are taking some tough decisions which have far-reaching implications in your work life.

Your intuition can reveal some aspects of your situation which your ability to reason cannot. In fact, your internal radar works perfectly. It is the operator who is in question. There are things your gut knows long before your intellect catches on. Every day, all day, an intelligent agent is sending you messages. The best leaders have learned not only to just trust their instincts, but to obey them. Obeying your instincts requires that you listen to your own internal voice, acknowledge your internal reference point, rather than rush to embrace the myriad references and voices of others. Your instincts are readily available 24/7.

Your mind is continually in overdrive. You spend a lot of time in an internal dialogue – in other words, you’re busy having a conversation with yourself. If you were to speak out loud the dialogue that goes on inside your head, you would be labeled, well…a bit crazy. And often the self-talk is negative rather than positive and constructive. You can change that.

A new science
Developing the ‘intuitive intelligence’ of leaders is at the heart of what we do here at Oxford Leadership Academy. The basis for ‘intuition intelligence’ is a powerful new science of the mind known as ‘Intelligent Memory’ – a convergence of insights from behavioural psychology, cognitive psychology, neuroscience, and molecular biology.

As Barry Gordon states in his book (Intelligent Memory: Improve the Memory That Makes You Smarter), ‘Since birth our brains compartmentalize experiences and information akin to an elaborate closet organisation system. The brain warehouses existing knowledge into separate files and, when new data is received, it searches the stored files looking for similar information. Upon finding a match, the new information is combined with the existing
knowledge to create a fresh thought. This process, called intelligent memory, is the basis for producing creative, breakthrough ideas.

Looking at this further… the breaking down and storing process is analysis. The searching and combining is intuition. Both are necessary for all kinds of thought. Even a mathematical calculation requires the intuition part, to recall the symbols and formula previously learned in order to apply them to the problem.

When the pieces come off the shelf smoothly, in familiar patterns … you don’t even realise it has happened. When lots of different pieces combine into a new pattern, you feel it as a flash of insight, the famous ‘aha!’ moment.

The situations in which leaders most consistently rely on their intuitive intelligence in business include:

• In a crisis: When rapid response is required and there is no time to go through a complete rational process of analysis;
• In high speed change: When the factors upon which decisions are made change rapidly, without warning;
• In a messy situation: When a problem or challenge is poorly constructed;
• In an ambiguous situation: When the factors to be considered are hard to articulate without sounding contradictory.

In helping leaders expand their intuitive intelligence and develop greater trust in their ‘flashes of insight’ we train them in the following:

• Be present
  Become mentally quiet and develop an ‘eye of the storm’ mental posture. As you may have seen a martial arts master do – centre yourself mentally, disconnect from the emotions of the situation. Detach from all noise and voices, just be still and observe. Be inside. Listen. Look. Suspend judgment. Don’t analyse or try to understand. Just quietly observe. In a crisis, this can be done in just a matter of seconds. It’s the starting point to engagement of the whole brain.

• See the whole picture
  Interrogate the context. Become a detached observer of the situation and embrace the big picture. Get off the dance floor, stand of the balcony and look at the situation from a different, elevated perspective. See what has gone on before. Recall lessons from history. Things you’ve read and may have forgotten. Actually it’s all stored there in your intelligent memory. Engage other players involved. Talk with them. Not at them. Be curious. Take in all different perspectives and data points. This engages your intelligent memory and theirs as well. Such conversations stimulate creative collaboration. One person’s observation, sparks off another and chain reaction of insights emerge. Now, the whole brain is engaged.

• Clarify your intention
  Be clear on your purpose. Bring this into the front of your mind. Your intention becomes the filter through which you observe a situation. This provides focus and helps you zoom in on the few things that are most important. The clearer and more resolute your intention, the faster and more reliable will be the ‘flash of insight’ that follows. In leadership training we place a lot of intention on developing
clarify of purpose. This requires deep reflection on your own truth about yourself, where you’re headed and why.

- **Engage your values**
  Either consciously or unconsciously, all choices and decisions are driven by what you value most. The clearer you are about the values and principles which guide you, the faster and more reliable will be your decision making and choice selection. Where you will end up in any situation in life will ultimately be determined by the choices you make, so close examination of values is about the most important work a leader can do to prepare for making good choices. When observing and examining any situation your purpose and values engage together to provoke a flash of insight that ‘feels right’. This is when your intuition can be trusted.

- **Fierce resolve**
  Total and absolute commitment follows when there is a feeling of certainty about the things you ‘feel are right’. The power of discrimination and judgment lies at the heart of leadership wisdom and character. Your ability to trust and execute your choices, based on that ‘flash of insight’ requires consistent alignment of intention, words and actions. A decision is worthless unless it is bought into action and followed through without second-guessing or procrastination. In great leaders, this is seen as their fierce resolve to stay the course and do what needs to be done.

**Train the brain**
This five-step process to develop intuitive intelligence takes place at a sub-conscious level, even if you use your conscious mind to formulate or rationalise the final results. Information is processed in parallel, not sequentially. Instead of going through the logical sequence one by one, the leader sees the situation more as a whole, with different fragments emerging simultaneously in parallel. Your brain can be trained to work as an advanced pattern recognition device. Your subconscious mind finds links between your new situation and various patterns of your past experiences. In a team setting this becomes even more powerful, as you replicate what happens in the brain in a group setting. This is how high performing teams develop creative solutions and collaborative action, based on collective insights and wisdom.

Intuition intelligence helps you navigate faster through vast amounts of unstructured data and can work around gaps and conflicts in the information. Yet, even the most highly developed intuition can be misled if too many of the facts are wrong or missing, so don’t neglect the rational mind or need for diligence in fact gathering and analysis. Just get the balance right. The intuitive mind can become your greatest weapon in business, if you learn how to use it confidently and accurately.

‘The intuitive mind is a sacred gift and the rational mind is a faithful servant. We have created a society that honors the servant and has forgotten the gift’ – Albert Einstein

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**About the author**
Brian Bacon is Chairman and founder of the Oxford Leadership Academy. The academy is holding Leading Your Self: Transforming Your Organisation on 27-28 September in Oxford. The event is a rare opportunity to experience one of the world’s most powerful leadership trainings with its creator, Brian Bacon. To register your interest, go to www.olaprograms.com.
Improving the productivity of management

By John Heap, IMS Council member

In all organisations, part of the success is attributed to the efforts of the various individuals who make up the organisation. If we can persuade, encourage and cajole each of them into becoming a little more productive, we can make overall productivity gains.

There are a number of ways in which we can improve the productivity of individuals. Perhaps the simplest thing to do is to ensure that each individual is clear as to his/her role and is clear about the tasks and objectives they have to accomplish to fulfil that role ... and then to ensure they have the necessary abilities, skills, tools and knowledge to be able to accomplish those tasks. Thus, there is an important task of inducting, training and developing individuals.

In addition to formal induction and training processes, organisations sometimes take specific ‘performance’ initiatives – perhaps involving some form of performance measurement as the basis of performance management. This ‘measurement’ can be relatively simple or quite complex. Appraisal systems are quite common – where a senior figure make an assessment of the performance of the individual – perhaps based on completion of some form of self-assessment by the individual; perhaps on some form of ‘evidence’ or quantitative assessment. For teachers, for example, there may be lesson observations and analyses of examination results – though picking one’s way through external and mitigating factors is not always easy.

The role of ‘teacher’

If we take the role of teachers, then we have some difficulties in establishing the precise range of tasks – and the relative importance of each – that go to make up the role of ‘teacher’. Some of these are obvious – lesson preparation, teaching, marking – but the other tasks like mentoring, professional development (of subject knowledge and teaching ability), extracurricular activity and so on are often hidden tasks.

Asking teachers to complete a diary of their activity (in, say, 15 minute time sections) is a useful way of identifying the complete list of tasks – and of identifying the relative time given to each one. Of course this has to be done over several different times of day, of the week and of the school year to give a ‘true’ indication – but it can be quite revealing of how teachers’ time is spent – and we can perhaps judge whether that time is spent productively.

However, in schools as in almost all organisations, the productivity level of the organisation depends far more on the overall effectiveness of the various systems, processes.

“They need to work within a framework that channels their efforts into a ‘larger whole’.”
and procedures that link the individuals together into a working ‘school’.

Even working out what we mean by ‘productivity’ or ‘effectiveness’ for education is not simple. In simple manufacturing organisations we talk about productivity being the ratio of outputs to inputs, the number of cars we make per worker per hour or something like that. This can be compared directly between different motor manufacturers so we know which are ‘good’ and ‘bad’ performers.

Measuring outcomes
As with many public services, in education we are more concerned with ‘outcomes’ than ‘outputs’ and these outcomes are difficult to measure.

I am a school governor of a secondary school that prides itself on its academic record but also on its ‘school ethos’. The outputs we are looking for are pupils that meet their full academic potential but also turn out as concerned, informed, compassionate, participatory citizens. We try not to play the ‘league tables game’ (which we could, for example, by restricting pupil choice). As part of our self-assessment, (underpinning our preparation for OFSTED inspection), we ‘take the temperature’ (of staff, pupils and parents) to assess whether we are meeting our aims and aspirations. We, of course, know our inputs (in terms of the resources we consume) but suggesting we could quantify our productivity would be difficult.

In terms of making our teachers effective, we have introduced a number of processes and procedures (based around the concepts of learning cycles, assessment for learning, systematic development of shared teaching and learning resources, online access by pupils to information and resources, etc) and I have no doubt that these would show up if we were to compare a teacher diary exercise today with one we might have undertaken two or three years ago.

However it is the coordinated and cross-school introduction of these initiatives that has made the difference – individual teachers could not have made the same improvements in their performance by their own efforts. Of course we need professional teachers committed to their own development and to ‘excellence’ generally... but they need to work within a framework that channels their efforts into a ‘larger whole’.

We do need to look at ways of containing costs but in industry also the largest gains in productivity and performance come from the ‘top line – increasing the outcomes/outputs – and adding extra value to what we do. Cost reduction should be addressed but it rarely gives ‘breakthrough’ performance improvement.

So, we should encourage teachers – and others – to improve their performance, to manage their time better... but we must shape the educational system and the processes and procedures adopted within our schools to build high potential. High performing teachers can then help us realise that potential.
Means must be found for measuring and improving public sector productivity to avoid an ever increasing tax burden. By Ryan Bourne and Tim Knox from the Centre for Policy Studies.

It is a generally accepted fact that in the long run, what matters for prosperity is improvements in productivity driven by innovation. Taking steps to improve potential productivity growth as a means of raising the trend growth of the economy is thus an important rationale for meaningful supply-side reforms.

Over the years, many politicians have indicated a desire to improve public sector productivity. But this is not as straightforward as it sounds, not least because a) it is extremely difficult to measure productivity in the delivery of public services, and b) the fact that most public services are things where we are more interested in the outcomes (e.g., better survival rates, life expectancy) rather than the outputs (e.g., number of operations performed).

The government raises money via taxation and borrowing to pay for the inputs (labour, goods and services, capital) for public service provision. These are then used to provide outputs – i.e., the services themselves, like GP visits, hospital treatments and school lessons. And the aim of these outputs is broadly to improve outcomes according to some stated goal.

Productivity then is really a measure of the outputs you are able to obtain for given inputs. This is not the same as the effectiveness of public services, which are determined by the outcomes they generate compared to the funding which is put in.

Measuring private sector productivity is relatively straightforward: markets set the value of output produced and inputs used. Assessing productivity for public services is much more difficult. Full markets in healthcare, education, social services and policing do not exist, so there is limited price information.

That’s why until 2005, the Office for National Statistics (ONS) assumed public service outputs were the same as public service inputs – e.g., a GP appointment is both an input and an output – so productivity was thought to be constant over time.

But with increasing resources directed at the public sector between 1997 and 2010, this assumption was clearly unsatisfactory. So in recent years the ONS has, rightly, made a renewed effort to attempt to come to calculate more accurate measures.

The most recent figures

Among all the noise surrounding the recent GDP figures, the publication of the ONS’s Total Public Sector Productivity Estimates was largely lost. The work analyses the outputs and inputs associated with the provision of healthcare, education, social care, public order and safety, the police, defence and other public services. By weighting indices of volumes of outputs across the public services, and weighting indices of volume inputs (labour, capital and goods and services used), it attempts to come to an overall figure for productivity growth within the public sector between 1997 and 2010.

The results, although revised up since last time this exercise was undertaken, are not encouraging. On an overall basis the ONS has calculated that, between 1997 and 2010, outputs from public services increased by 46.3%, whilst inputs went up by 46.5%, suggesting an overall productivity decline of 0.2% over the 13-year period.

The methodology of using volumetric measures for both inputs and outputs, which does not tell us anything about input prices or the actual outcomes delivered as a result of the inputs, means that it is extremely difficult to compare this apparent poor performance with that achieved in the market sector of the economy.

Nevertheless, it is instructive to compare this fairly stagnant productivity with a couple of measures of market sector productivity growth. Van Reenan et al (2011) have previously estimated that labour productivity in the UK grew by 2.8% per year between 1997 and 2007, whilst the total factor productivity component of this is estimated at 1% growth per year (though...
admittedly, these productivity measures would have now fallen in the wake of the crisis.

When compared with these growth rates, the public sector’s productivity performance looks poor. Nevertheless, one might not be surprised by the result, given that so much money was being thrown at these services over this period.

Health
In order to gauge the usefulness of these productivity calculations, we can examine the provision of health services.

The output measure for health care uses four categories of output:
- Hospital and Community Health Services (HCHS), comprising numbers of in-patient, day case and out-patient episodes. HCHS output increased by 58% between 1997 and 2010.
- Family Health Services (FHS), which comprise GP, nurse, dental and sight test services. FHS output increased by 44% between 1997 and 2010.
- GP prescribing of medicines. Prescribing increased by 205% over the 1997-2010 period.
- Non-NHS provision (services delivered by non – NHS providers funded by the NHS), which increased by 405% between 1997 and 2010.

These three categories of output are then weighted according to the expenditure share on each. Overall output increased by 88% between 1997 and 2010. The further inclusion of various quality measures raises this output gain to 97% over a period in which inputs increased by 86%. Therefore, overall productivity was found to have risen by 6.2% over the period.

But there are obvious

“Full markets in healthcare, education, social services and policing do not exist, so there is limited price information.”
problems with this methodology, especially where healthcare is concerned.

The first is that this measure in no way recognises the huge increases in real spending we saw over this period (up 107%, from £59bn to £124bn in today’s prices). This shows how the real cost of inputs, like doctors' salaries and treatments, increased markedly – meaning that the productivity calculation, as the ONS itself admits, is a poor guide if you are interested in value for money.

The second is that at least part of the observed increase in productivity is being driven by the huge increase in prescriptions (up 205%). Though these only make up a small proportion of the overall weighting of output (12%), the scale of the increase is significant. It seems more obvious that HCHS and FHS could be seen as ‘outputs’ from healthcare, but though the ONS does not purport to measures outcomes, to include prescriptions as an output is questionable: for is not an increase in the number of prescriptions as likely to be reflective of a deterioration in health outcomes as an improvement?

Finally, the non-NHS services component of output just assumes that productivity is constant – ie, for these services, input is equal to output.

Value for money?
In order to come up with a measure of output value-for-money in healthcare, and thus highlight the role of real input cost increases over the period, we can construct a new productivity index which strips out prescriptions and uses real expenditure on healthcare as the input measure.

Excluding prescriptions, and re-weighting accordingly, output went up by 86% between 1997 and 2010. Real expenditures increased by as much as 107%. Therefore our ‘value for money’ index actually shows a decline of over 10% over these 13 years.

Why?
There are many reasons why value-for-money in the NHS might have fallen over the New Labour years, including the extraordinary increase in GP salaries, and the growth of the managerial culture. But at least part of the explanation for the phenomenon is likely to be due to the economic concept of Baumol’s cost disease. Service industries, such as public services, tend to find it more difficult to find ways in which to improve productivity than, say, manufacturing, where mechanisation can have large effects. Wages in areas which experience strong productivity growth tend to increase significantly over time. But labour intensive service industries such as healthcare and education then have to compete for labour in the same labour markets – meaning that costs tend to increase significantly even as productivity remains stagnant, thereby increasing the cost of the given healthcare output.

But other research, whilst acknowledging the cost disease component, has suggested that other factors – which can be more directly controlled by policymakers, are more significant. The rapid roll out of new healthcare technology is another factor.

Regardless of the precise mechanisms, the key finding is that the real cost of healthcare inputs is ever increasing and with stagnant productivity this would require ever increasing expenditure.”
require ever increasing expenditure (which has grown much faster than money GDP since 1997) and thus a higher tax burden, diminishing incentives.

What can be done?
The degree to which you consider this cost disease in public service provision a problem then largely depends on whether you are optimistic or pessimistic about future growth prospects, and whether you are concerned about an ever-increasing tax burden.

If our economy returns to the previously usual trend growth, then ever increasing spending on education and healthcare will be affordable, but only with an ever increasing burden of taxation. For those who believe that tax rates have key effects on incentives, this is problematic.

If we are to avoid this ever increasing tax burden then, we must find means of improving productivity in the provision of public services. Down the track it is easy to imagine that technology might have a much larger role to play in the provision of both healthcare and education, for example, making it much less labour intensive. But for the foreseeable future, these industries are likely to continue to be characterised by personal care and traditional teaching methods. In light of this, other avenues to improve productivity must include: enhanced competition to keep costs from spiralling, constant attempts to eliminate unnecessary bureaucracy and freedom to innovate in the use of new technology.

The gains to significantly improving public sector productivity could be large – and so it’s essential when we talk about the subject, we understand what the figures produced by the ONS actually show, and what they omit. It will be fascinating to see how these figures change going forward, as the restraint in spending kicks in.

“Other avenues to improve productivity must include enhanced competition to keep costs from spiralling, constant attempts to eliminate unnecessary bureaucracy and freedom to innovate in the use of new technology.”

This article appeared on PublicNet, the online community for everybody interested in the public sector and its management. Visit bit.ly/19iS8OS.
Spreadsheet applications are one of the most common management tools. They offer significant flexibility to individual managers over centrally controlled corporate information systems. However, the flipside to flexibility and individuality is anarchy and the possibility of serious, possibly terminal, damage to the organisation. In a new survey of spreadsheet usage conducted by researchers at Loughborough University, managers were keen to talk about the increasingly noticeable risks that come with an overreliance on spreadsheet software and in particular errors in the design and operation of often thousands of spreadsheets.

"I ask people if they generally trust spreadsheet data. The answer is usually "yes" and I tell them it shouldn't be." (Finance manager)

In this article, Ian Herbert, Glynn Lowth and Eliot Buckner explore some of the risks inherent in spreadsheets.

Some infamous issues with spreadsheets

Until very recently few people had felt confident in challenging the spreadsheet-generated information they received. Prowess in doing clever things with spreadsheets was seen as a key skill for up-and-coming managers. Spreadsheets were not so much a black box as a black art! However, in recent months the clothes of the office spreadsheet guru are starting to look a little transparent. For example; JP Morgan Chase (JPM) found a formula error in a spreadsheet that had undervalued risk by a factor of 50% contributing to a total trading loss of $6.2 billion back in 2012. The problem turned out to be quite simple but resulted in the dismissal of traders. Top executives were hauled in front of Congress and investigations launched by several regulatory bodies, including the FBI.

In short, the spreadsheet-based model used to monitor the traders’ risk levels was essentially a manual process and involved copying and pasting data from one spreadsheet to another. "One key measure was added when it should have been averaged." (Gandel, 2013) This meant that “…risk officers at JPMorgan believed the credit derivatives bets were half as risky as they actually were.” (Gandel, 2013)

The use of spreadsheets owned and operated by individuals for such critical activities appears to be a sharp contrast with the $2 billion JPM spent on corporate IT systems in 2012. (King, 2012)

Harvard professors Kenneth Rogoff and Carmen Reinhart’s *Growth in Time of Debt* paper was apparently a key influence on austerity measures of various Western governments in response to the 2008 financial crisis. According to their research findings, countries with more than 90% debt to GDP are unlikely to be able to grow and thus governments should seek to reduce public debt through austerity measures. However, their spreadsheet model had excluded five of the countries in the overall data set that did not support that conclusion. The coding error was found by student Thomas Herndon of the University of Massachusetts Amherst. This was not only very embarrassing for the researchers but also had serious implications for the economic policies of several countries.

British Nuclear Fuels Limited operates in one of the most controlled environments in the world. However, in 2001 the Sellafield plant was set up to create Mixed Oxide fuel pellets (MOX). These are used to make nuclear fuel rods which help to power nuclear reactors. The plant was going to export significant quantities of MOX to global clients creating income and jobs for the local area. However, before the plant had begun full production controllers found that engineers had falsified safety records about the size of the MOX. The engineers had copied and pasted one set of results into several spreadsheets. They used this single set of results to falsify the results of the other tests. Incorrectly sized rods can cause a nuclear meltdown similar to that at Fukushima (Thorn, 2012). The defective consignment had been sent to Japan for energy generation.

Gaia Hoerdner of the Centre of Nuclear Information in Tokyo was quoted saying: "The Japanese companies have totally lost face because they received this defective quality-controlled fuel and it is very unlikely that they are going to resume trade with BNFL (British Nuclear Fuels Limited) again.”

It isn’t really worth thinking about what would have happened if these fuel rods had ever made it to a reactor. If these companies can make these sorts of errors, what problems are spreadsheets hiding from other businesses?

Desktop revolution?

These spreadsheet errors are just some of the more infamous problems which have been encountered over time. There are countless other examples of spreadsheet errors creating serious and embarrassing problems for businesses. The key question is whether the desk-top revolution has been just that, a ‘revolution’, which has now come full circle. In our research managers were very willing to discuss their new and improved central corporate information systems rather than their use of spreadsheets. When pressed, most managers said they saw spreadsheets were increasingly only being used for ad-hoc tasks rather than core processes. The increasing availability of analytics tools as an integrated offering within corporate information
systems gives the opportunity to escape from much of the spreadsheet risk.

**Issues summarised**
- **Design and corruption errors in formulas and macros**
  It is difficult to get a sense of discipline into writing and checking spreadsheets. Manual processes have little visibility and are difficult to monitor when a single user has total ownership.
- **Data entry processes – Garbage In Garbage Out**
  Central IT departments operate with strict controls over data entry procedures which are difficult to replicate on individual desktop applications.
- **Too big, too complex and difficult to audit**
  Many spreadsheets have long outlived their original rationale and now should be a part of standard central information processing routines. The problem lies in determining where the tipping point is between appropriate and inappropriate use.
- **Owner continuity**
  Without the discipline that comes naturally to specialist IT workers, documentation and version updates are likely to be fraught. This causes problems not only when spreadsheet owners leave or are absent but drive up the cost of external audit.
- **Inefficient use of time – the spreadsheet culture**
  It makes little sense to have highly qualified business professionals sitting at computers playing about with spreadsheets simply because they like doing it. In any case, the chances are that someone somewhere else in the organisation is doing something similar.

**Change drivers**
Several managers we interviewed mentioned reducing risk and improving process control as key reasons for increasing the management focus on spreadsheets in their businesses, citing the Sarbanes-Oxley act as a catalyst. Spreadsheets are notoriously hard to control and go against the need for ‘one-source of the truth’. The technology is available to position many spreadsheet processes within central information systems and although cost is an issue, recentralisation is becoming increasingly common.

> ‘Every other day I’ve probably heard someone say “Oh! That number’s wrong” adding, “if you have these errors that go undetected, they could be life threatening to the organisation!”’ (Department manager).

As companies look to drive down costs, outsourcing elements of departments or using shared service centres (SSC) is becoming more popular. With similar activities being pooled in the same place the SSC is able to gain an overview of all the spreadsheets in operation. This can make it easier to identify duplication...
of spreadsheet activities. As a company director put it: “It’s too easy to create digital cottage industries where everyone is doing the same thing.”

**Best practices**

- **Training**
  Our research has shown that managers and subordinates often think they are following spreadsheet best practice when in fact they are not. Also numerous spreadsheet experts claim to be self-taught meaning they may be passing on incorrect practices to other members of staff.

- **Control**
  Several of the companies we spoke to discussed how they used an audit to identify all the spreadsheets within their information system and what they do. As a result they got a better picture of the spreadsheet-based information system as a whole and could understand where the risks lay.

- **Improved information systems**
  The managers we interviewed all agreed that the current trend is to move away from spreadsheets toward improved central information systems. Big spending on information systems may not be popular but, if done correctly, is likely to save considerable amounts of money in the long run.

**About the authors**

Ian Herbert is Deputy Director – Centre for Global Sourcing and Services and Glynn Lowth is a Visiting Fellow, at the School of Business and Economics, Loughborough University.

Eliot Buckner is studying Management Sciences at Loughborough University School of Business and Economics.

Thanks to Chris Warner, Kathleen McLaughlin and Keshav Champawat.

The research team at Loughborough University is keen to hear your stories about spreadsheets. Visit the project website at www.shared-services-research.com and tell us your experiences at ssc-research-team@lboro.ac.uk and ask for our latest report on spreadsheets.

**References and further reading**


“Most managers said they saw spreadsheets were increasingly only being used for ad-hoc tasks rather than core processes.”

**Other references**

# The Institute of Management Services

Trustees’ report and financial statements for the year ended 31 December 2012

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2012 was a significant year for the Institute and my first full year as Chairman. We continued to implement our strategy – strengthening the links between the Institute and our existing education providers, raising the profile of the Institute and increasing membership and improving communications, in particular the use of the internet. I would like to thank my colleagues on Council for all their hard work and support on these initiatives during what was a very challenging, but also rewarding year.

In terms of education, we continue to see a steady stream of students coming through the system. It is interesting to note that despite the variety of job titles, the students have the same common goal – to learn the techniques which will enable them to improve the efficiency and effectiveness of their organisations and enhance their individual career prospects. My thanks to our education providers for their continuing support and for responding so positively to the demand for professionally trained productivity practitioners.

Membership during the year increased slightly, although not as much as had been anticipated. It is hoped that the appointment of a new Chair of membership in the latter part of the year will improve that situation significantly. A number of innovative proposals have already been advanced that look particularly promising.

During 2012, we endeavoured to improve our communications via the Institute journal and the newsletter and it was most gratifying to receive a number of complimentary comments. In respect of the internet, we have an ongoing programme for improving the website and are monitoring the hits to identify possible new markets for membership recruitment. It also provides an opportunity to promote the productivity message and advance the aims of the Institute.

In terms of finance, it can be seen from the accounts that the Institute continues to be financially sound, despite the fact that the income from our bank deposits has reduced considerably due to the drop in interest rates. In contrast, however, there has been steady increase in the value of our Chariguard investments, vindicating Council’s decision to continue investing for another year. My thanks to our Treasurer for keeping these under continuous review and ensuring that the Institute receives the best possible rate of return.

The Institute’s expenditure follows a classic ‘pareto’ with the journal and admin representing 80% of all of our costs. We are constantly reviewing these in order to identify where economies can be made and have recently renegotiated a new service level agreement with CAATS, our current provider for admin support. Council believes that we continue to receive excellent value for money in both areas and intends to continue with the current arrangements for the foreseeable future.

Finally, as we move into 2013 there are a number of initiatives and projects planned to help advance our strategic aims. I am sure that with the continued hard work and dedication of my colleagues on Council and the support of the membership in general, we will take the Institute forward and strengthen our position as the leading professional body for productivity in the UK.

Dr Andrew Muir, Chairman
Legal and administrative information

Charity number 288877 Company registration number 00832132
Registered office Brooke House, 24 Dam Street, Lichfield, Staffordshire WS13 6AA
Trustees AP Muir FMS (Chairman) JJ Lucey Hon FMS D Blanchflower JP, Hon FMS J Cutler FMS H Downes Hon FMS Resigned 24/7/12 JP Heap Hon FMS R Bridges FMS M Towle Appointed 19/10/12 R Graham MMS
Secretary JJ Lucey Hon FMS
Auditors Leftley Rowe and Company, The Heights, 59-65 Lowlands Road, Harrow Middlesex HA1 3AW
Bankers Bank of Scotland, Pentland House, 8 Lochside Avenue, Edinburgh Park EH12 9DG

Report of the trustees (incorporating the directors’ report) for the year ended 31 December 2012

The trustees present their report and the financial statements for the year ended 31 December 2012. The trustees, who are also directors 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 2011 and the next elections due in 2013. The Board of Trustees meet three times a year in addition to the Annual General Meeting.

Risk review, governance and internal control

Directors are responsible for providing assurance that:
• The systems of internal control are designed to provide reasonable, but not absolute, assurance against material misstatement or loss. They include regular financial reports to Council and an external audit.

How our activities deliver public benefit

It is a requirement of section 17 of the Charities Act 2011 that a charity has due regard to the guidance issued by the Commission on how the charity provides a “Public Benefit”.

The Directors of the Institute have fully satisfied themselves that as a registered charity they do provide a Public Benefit. 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.

Our Articles of Association and Memorandum clearly require the Institute to expand the concept and knowledge of the benefits of Productivity in improving the wealth and living standards of all. These objectives are achieved by publishing a regular journal containing articles on Productivity and maintaining a website that contains information on productivity techniques and current thinking on productivity. The journal and website are freely available for all to access.

Our main activities and who we try to help are described below. All our charitable activities focus on making widely known the benefits of improving productivity as a means of raising the living standards of all peoples in the world. To this end we are associated with all the world’s leading productivity organisations, publish a journal and maintain a website.

Recruitment and Appointment of Council of Management

The directors of the company are also charity trustees for the purposes of charity law and under the company’s Articles are known as members of the Council of Management. Under the requirements of the Memorandum and Articles of Association the members of the Council of Management are elected to serve for a period of four years after which they must be re-elected at the next Annual General Meeting. All member of the Council of Management give their time voluntarily and received no benefits from the charity. Any expenses reclaimed from the charity are set out in note 9 to the financial statements.

Trustee Induction and Training

Most trustees are already familiar with the practical work of the charity. Additionally, new trustees are invited and encouraged to attend a series of short training sessions to familiarise themselves with the charity and the context within which it operates. These training sessions are jointly led by the Chairman of the Council of Management and the Company Secretary of the charity and cover the obligations of Council of Management members also the main documents which set out the operational framework for the charity including the Memorandum and Articles. Other areas covered include resourcing and the current financial position as set out in the latest published accounts, future plans and objectives.

Relationship between Charities and related parties

The institute co-operate with the RM Currie Memorial Fund which is a charity dedicated to advancing the concept of productivity. The Institute appoints the trustees to the RM Currie charity and presently three trustees of the Institute of
Management Services also serve as trustees to the RM Currie charity, they are David Blanchflower, John Heap and John Lucey. During the 2012 financial year no transactions took place between the two charities.

**Objectives and activities**

**Achievements and performance**

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 2012 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 2012 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 2012 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 2011 the Institute redesigned its website with enhanced features. The website is the Institutes face to the world and has attracted visits from all around the world. In the present technological age it is important that the Institute maintains an informative website and continues its role of being a major source of information on productivity improvement.

In 2012 a regular email newsletter was introduced and emailed to all Institute members on a two monthly frequency. The newsletter contains information from around the world on current productivity thinking and focuses on the Institutes core subject area of productivity improvement.

The 2012 AGM was held in George Hotel, Lichfield and attracted a number of members.

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. We continue to award student of the year prizes and it is gratifying to see the large national UK and overseas companies who are sending employees on Institute education courses.

**Financial review**

It is the intention of the Institute during 2012 and subsequent years to seek to increase membership numbers. Recruitment initiatives will include advertising in the professional journals of other Institutes. Increasing membership will generate income for the Institute.

**Plans for future periods**

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 18 of the financial statements indicates there are reserves in excess of £400,000.

**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 charity’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 are responsible for preparing the annual 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 charity and of the surplus or deficit of the charity for that period. In preparing these financial statements, the trustees are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charity 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 charity 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 charity 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**

This report has been prepared in accordance with the special provisions for small companies under Part 15 of the Companies Act 2006. On behalf of the board

J. J. Lucey Hon FMS
Secretary

Date: 7 June 2013
Independent auditor’s report to the trustees of The Institute of Management Services

We have audited the financial statements of The Institute of Management Services for the year ended 31 December 2012 which comprise the statement of financial activities, the Balance Sheet, the Cash Flow Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Generally Accepted Accounting.

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 auditors’ 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 trustees and auditors
As explained more fully in the Trustees’ Responsibilities Statement set out on page 4, the trustees (who are also directors of the charitable company for the purposes of company law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board’s Ethical Standards for Auditors.

Scope of the audit of the financial statements
An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company’s circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Trustees’ report financial statements to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications of our report.

Opinion on financial statements
In our opinion the financial statements:
• give a true and fair view of the state of the company’s affairs as at 31 December 2012 and of its incoming resources and application of resources, including its income and expenditure, for the year then ended;
• have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
• have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006.
In our opinion the information given in the Trustees’ Annual Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception
We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:
• adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
• the financial statements are not in agreement with the accounting records and returns; or
• certain disclosures of directors’ remuneration specified by law are not made; or
• we have not received all the information and explanations we require for our audit; or
• the trustees were not entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies’ exemption in preparing the trustees’ report.

James Rowe (senior statutory auditor)
For and on behalf of Leftley Rowe and Company
Lowlands Road Statutory Auditors
Middlesex
HA1 3AW

The Heights Chartered Accountants and 59-65 Harrow
## Statement of financial activities (incorporating the income and expenditure account) for the year ended 31 December 2012

<table>
<thead>
<tr>
<th>Notes</th>
<th>Unrestricted funds</th>
<th>2012</th>
<th>2011</th>
<th>Total</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>£</td>
<td>£</td>
<td>£</td>
<td>£</td>
</tr>
<tr>
<td><strong>Incoming resources</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Incoming resources from generating funds:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Voluntary income</td>
<td>2</td>
<td>38,737</td>
<td>38,737</td>
<td>41,618</td>
<td></td>
</tr>
<tr>
<td>Activities for generating funds</td>
<td>3</td>
<td>-</td>
<td>-</td>
<td>5,331</td>
<td></td>
</tr>
<tr>
<td>Investment income</td>
<td>4</td>
<td>8,066</td>
<td>8,066</td>
<td>17,882</td>
<td></td>
</tr>
<tr>
<td>Incoming resources from charitable activities</td>
<td>5</td>
<td>22,003</td>
<td>22,003</td>
<td>21,271</td>
<td></td>
</tr>
<tr>
<td><strong>Total incoming resources</strong></td>
<td></td>
<td>68,806</td>
<td>68,806</td>
<td>86,102</td>
<td></td>
</tr>
<tr>
<td><strong>Resources expended</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Charitable activities</td>
<td>6</td>
<td>82,253</td>
<td>82,253</td>
<td>78,025</td>
<td></td>
</tr>
<tr>
<td>Governance costs</td>
<td>7</td>
<td>2,630</td>
<td>2,630</td>
<td>2,600</td>
<td></td>
</tr>
<tr>
<td><strong>Total resources expended</strong></td>
<td></td>
<td>84,883</td>
<td>84,883</td>
<td>80,625</td>
<td></td>
</tr>
<tr>
<td><strong>Other recognised gains and losses</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Gains/(Losses) on revaluation of investment assets</td>
<td></td>
<td>11,159</td>
<td>11,159</td>
<td>(9,728)</td>
<td></td>
</tr>
<tr>
<td><strong>Net movement in funds</strong></td>
<td></td>
<td>(4,918)</td>
<td>(4,918)</td>
<td>(4,251)</td>
<td></td>
</tr>
<tr>
<td><strong>Total funds brought forward</strong></td>
<td></td>
<td>447,084</td>
<td>447,084</td>
<td>451,335</td>
<td></td>
</tr>
<tr>
<td><strong>Total funds carried forward</strong></td>
<td></td>
<td>442,166</td>
<td>442,166</td>
<td>447,084</td>
<td></td>
</tr>
</tbody>
</table>

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.

## Balance sheet as at 31 December 2011

<table>
<thead>
<tr>
<th>Notes</th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>£</td>
<td>£</td>
</tr>
<tr>
<td><strong>Fixed assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Tangible fixed assets</td>
<td>11</td>
<td>-</td>
</tr>
<tr>
<td>Fixed asset investments</td>
<td>12</td>
<td>144,993</td>
</tr>
<tr>
<td><strong>Current assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Debtors</td>
<td>13</td>
<td>5,713</td>
</tr>
<tr>
<td>Bank and cash</td>
<td></td>
<td>396,540</td>
</tr>
<tr>
<td></td>
<td></td>
<td>402,253</td>
</tr>
<tr>
<td>Creditors: amounts falling due within one year</td>
<td>14</td>
<td>(72,485)</td>
</tr>
<tr>
<td><strong>Net current assets</strong></td>
<td></td>
<td>329,768</td>
</tr>
<tr>
<td>Total assets less current liabilities</td>
<td></td>
<td>474,761</td>
</tr>
<tr>
<td>Creditors: amounts falling due after more than one year</td>
<td>15</td>
<td>(32,595)</td>
</tr>
<tr>
<td><strong>Net assets</strong></td>
<td></td>
<td>442,166</td>
</tr>
<tr>
<td><strong>Funds</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Unrestricted income funds</td>
<td>17</td>
<td>442,166</td>
</tr>
<tr>
<td><strong>Total funds</strong></td>
<td></td>
<td>442,166</td>
</tr>
</tbody>
</table>

The financial statements are prepared in accordance with the special provisions of Part 15 of the Companies Act 2006 relating to small companies.

The financial statements were approved by the board on 7 June 2013 and signed on its behalf by A.P. Muir FMS (Chairman) Director
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 p.a.

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></th>
<th>Unrestricted funds</th>
<th>2012 Total</th>
<th>2011 Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Membership subscriptions</td>
<td>38,737</td>
<td>38,737</td>
<td>41,618</td>
</tr>
</tbody>
</table>

3. Activities for generating funds

<table>
<thead>
<tr>
<th></th>
<th>2012 Total</th>
<th>2011 Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Other activities for generating funds income</td>
<td>-</td>
<td>5,331</td>
</tr>
</tbody>
</table>

4. Investment income

<table>
<thead>
<tr>
<th></th>
<th>Unrestricted funds</th>
<th>2012 Total</th>
<th>2011 Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Listed investment income</td>
<td>8,066</td>
<td>8,066</td>
<td>17,882</td>
</tr>
</tbody>
</table>

5. Incoming resources from charitable activities

<table>
<thead>
<tr>
<th></th>
<th>Unrestricted funds</th>
<th>2012 Total</th>
<th>2011 Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Advertising revenue and journal subscriptions</td>
<td>8,577</td>
<td>8,577</td>
<td>8,803</td>
</tr>
<tr>
<td>Examination entry fees</td>
<td>3,721</td>
<td>3,721</td>
<td>2,588</td>
</tr>
<tr>
<td>General</td>
<td>9,681</td>
<td>9,681</td>
<td>9,880</td>
</tr>
<tr>
<td>Amounts from groups and branches</td>
<td>24</td>
<td>24</td>
<td></td>
</tr>
<tr>
<td></td>
<td>22,003</td>
<td>22,003</td>
<td>21,271</td>
</tr>
</tbody>
</table>
6 Costs of activities in furtherance of the objects of the charity

<table>
<thead>
<tr>
<th>Membership subscription</th>
<th>Advertising and journal subscription</th>
<th>Examinations</th>
<th>Governance</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>£</td>
<td>£</td>
<td>£</td>
</tr>
<tr>
<td>Costs directly allocated to activities</td>
<td>Basis of allocation - Direct</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Examination charges</td>
<td>-</td>
<td>-</td>
<td>651</td>
</tr>
<tr>
<td>Journals printing, postage and related costs</td>
<td>-</td>
<td>33,505</td>
<td>-</td>
</tr>
<tr>
<td>Telephone</td>
<td>173</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Bad debts</td>
<td>762</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Sponsorships and awards</td>
<td>169</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Membership diaries</td>
<td>101</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>

Support costs allocated to activities
Basis of allocation - to main activity
Committee meeting expenses | -                                   | -            | -          | 6,942      |
Insurance                 | -                                   | -            | -          | 808        |
Outsourcing administration costs | 28,830                              | -            | -          | 28,380     |
Printing, postage and stationery | 2,072                               | -            | -          | 2,327      |
Computer costs            | 2,636                               | -            | -          | 2,636      |
Professional fees         | 84                                  | -            | -          | 84         |
Bank charges              | 9                                   | -            | -          | 9          |
Irrecoverable VAT         | 3,941                               | -            | -          | 3,941      |
General expenses          | 77                                  | -            | -          | 77         |
Subscriptions to other organisations | 1,238                               | -            | -          | 1,238      |

40,092 33,505 651 8,005 82,253 78,025

7. Governance costs
Unrestricted funds |
<table>
<thead>
<tr>
<th>2012 Total</th>
<th>£</th>
<th>2011 Total</th>
<th>£</th>
</tr>
</thead>
<tbody>
<tr>
<td>Auditors remuneration</td>
<td>2,630</td>
<td>2,630</td>
<td>2,600</td>
</tr>
</tbody>
</table>

8. Net incoming/(outgoing) resources for the year
Net incoming/(outgoing) resources is stated after charging: Auditors’ remuneration
2012 2011
<table>
<thead>
<tr>
<th>£</th>
<th>£</th>
</tr>
</thead>
</table>

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

No members of the management committee received any remuneration during the year. Committee meeting and travelling expenses amounting to £6,942 (2011 - £6,540) were reimbursed to 9 (2011 - 8) members of the management committee.

No trustee or other person related to the charity had any personal interest in any contract or transaction entered into by the charity during the year (2011 – Nil).

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>2012 Number</th>
<th>2011 Number</th>
</tr>
</thead>
<tbody>
<tr>
<td>8</td>
<td>8</td>
</tr>
</tbody>
</table>

Out of pocket expenses were reimbursed to the trustees as follows:
Travel, accommodation, stationery
2012 2011
<table>
<thead>
<tr>
<th>£</th>
<th>£</th>
</tr>
</thead>
</table>

10. Taxation
The charity's activities fall within the exemptions afforded by the provisions of the Income and Corporation Taxes Act 1988. Accordingly, there is no taxation charge in these accounts.

11. Tangible fixed assets
Fixtures, fittings and equipment
Total
Cost
At 1 January 2012 and
At 31 December 2012 | 9,475 | 9,475 |
Depreciation
At 1 January 2012 and
At 31 December 2012 | 9,475 | 9,475 |
Net book values
At 31 December 2012 | - | - |
At 31 December 2011 | - | - |
### 12. Investments

<table>
<thead>
<tr>
<th>Listed investments</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chariguard UK Equity Fund at market value</td>
<td>£</td>
</tr>
<tr>
<td>At 1 January 2012</td>
<td>133,834</td>
</tr>
<tr>
<td>Revaluation</td>
<td>11,159</td>
</tr>
<tr>
<td>At 31 December 2012</td>
<td>144,993</td>
</tr>
</tbody>
</table>

### 13. Debtors

<table>
<thead>
<tr>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>£</td>
<td>£</td>
</tr>
<tr>
<td>Trade debtors</td>
<td>2,009</td>
</tr>
<tr>
<td>Other debtors</td>
<td>769</td>
</tr>
<tr>
<td>Prepayments</td>
<td>2,935</td>
</tr>
<tr>
<td></td>
<td>5,713</td>
</tr>
</tbody>
</table>

### 14. Creditors: amounts falling due within one year

<table>
<thead>
<tr>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>£</td>
<td>£</td>
</tr>
<tr>
<td>Trade creditors</td>
<td>6,308</td>
</tr>
<tr>
<td>Corporation tax</td>
<td>22,727</td>
</tr>
<tr>
<td>Other creditors</td>
<td>860</td>
</tr>
<tr>
<td>Accruals and deferred income</td>
<td>42,590</td>
</tr>
<tr>
<td></td>
<td>72,485</td>
</tr>
</tbody>
</table>

### 15. Creditors: amounts falling due after more than one year

<table>
<thead>
<tr>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>£</td>
<td>£</td>
</tr>
<tr>
<td>Deferred income (note 16)</td>
<td>32,595</td>
</tr>
<tr>
<td></td>
<td>59,121</td>
</tr>
</tbody>
</table>

### 16. Accruals and deferred income

<table>
<thead>
<tr>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>£</td>
<td>£</td>
</tr>
<tr>
<td>Advance subscriptions</td>
<td>£</td>
</tr>
<tr>
<td>At 1 January 2012</td>
<td>(59,121)</td>
</tr>
<tr>
<td>Increase in year</td>
<td>(2,312)</td>
</tr>
<tr>
<td>Released in year</td>
<td>28,838</td>
</tr>
<tr>
<td>At 31 December 2011</td>
<td>(32,595)</td>
</tr>
</tbody>
</table>

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.

### 17. Analysis of net assets between funds

Unrestricted funds | Total funds
--- | ---
£ | £
Fund balances at 31 December 2012 as represented by:
Listed investments | 144,993 | 144,993
Current assets | 402,253 | 402,253
Current liabilities | (72,485) | (72,485)
Long-term liabilities | (32,595) | (32,595)
| 442,166 | 442,166 |

### 18. Unrestricted funds

<table>
<thead>
<tr>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>£</td>
<td>£</td>
</tr>
<tr>
<td>General fund</td>
<td>447,084</td>
</tr>
<tr>
<td>Incoming resources</td>
<td>68,806</td>
</tr>
<tr>
<td>Outgoing resources</td>
<td>(84,883)</td>
</tr>
<tr>
<td>Gains and losses</td>
<td>11,159</td>
</tr>
<tr>
<td>At 31 December 2012</td>
<td>442,166</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 47 years.

### 19. Related party transactions

No trustee or other person related to the charity had any personal interest in any contract or transaction entered into by the charity during the year (31 December 2011 – Nil).
Why Don’t YOU Join the IMS

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
W: www.ims-productivity.com
E: admin@ims-stowe.fsnet.co.uk
T: 01543 266909
✉ Brooke House, 24 Dam Street, Lichfield, Staffs WS13 6AA