



Outcomes & Efficiency

Leadership Handbook

by **Richard Selwyn**

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pipc
Cognizant Program Management

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Outcomes & Efficiency: Leadership Handbook

The essential guide to systems thinking, commissioning, change management and practical implementation in government, by

Richard Selwyn

This book is to help executive and political leaders in government. The concepts and models specifically describe local government but are equally applicable to central government, policy and all other public services.

What you are reading is the culmination of a decade of research, testing, and contributions from hundreds of inspiring colleagues and friends from across the public sector. Particular thanks are due to: Adam Goldstein, Alex Stoddart, Andrea King, Andrew Sargent, Andrew Turnbull, Ben Taylor, Brian Grady, Carole Bell, Catherine Doran, Chris Munday, Christine Lenehan, Damian Allen, David Cowan, David Hawker, David Prout, Deborah Clow, Hilary Ellam, Jane Held, Janet Moore, Jo Hawley, Jo Holmes, John Graham, John Harris, Jill Colbert, Julia Stoddart, June O'Sullivan, Justin Hackney, Leora Cruddas, Lyn Frith, Marc Cetkowski, Mark Davies, Mark Rogers, Megan Roberts, Nicky De Beer, Nicola Waterworth, Nigel Walker, Pat Clewer, Patsy Northern, Phil Dunmore, Polly Reed, Rebecca Leete, Richard Keeble, Richard Lace, Richard Painter, Richard Vickers, Samantha Callan, Sarah Pickup, Sean Rafferty, Simon Blakley, Thanos Morphitis, Thom Wilson, Tony Bovaird, Val Keen, Wendi Ogle-Welbourn, Yoav Gordon.

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Foreword by Mark Rogers

The public sector, and most especially local government, is not having a good recession. Fiscal retrenchment, whether fast or slow, was always coming – but at its outset it was optimistically thought that it wouldn't be here to stay. Well, that's all changed. Economic recovery has faltered at home (and abroad) and it is, consequently, becoming clear that we are only at the softening up stage: successive Government spending reviews will almost certainly confirm that 'less' is here to stay for quite some time.

The Chinese have a familiar proverb (usually cited as a curse): "May you live in interesting times". What is less well known is that this expression has two close companions: "May you come to the attention of powerful people" and "May you find what you are looking for". The author of this book will be hoping for the former, but it is the latter that the reader should take heart from as you work your way through this educative guide.

Outcomes & Efficiency is a must for all of those – and I count myself amongst them – who are trying to move beyond talking about the need for radical change to actually doing something about it. It is convincingly posited that the answers lie in submitting to a systems thinking approach, not least because the design of the public sector's future functions and forms constitute 'wicked issues' – challenges that are singularly difficult to solve because of incomplete, contradictory and changing information, expectations and requirements. In such a situation it would seem that it is as important to ask the right questions as it is to ask for the right answers.

And this book will help that endeavour. Structured around the themes of systems thinking, commissioning and dynamic change management, and laced with practical examples and advice, it is a treasure trove for the curious and creative who want and need to know more about what to ask as well as what to do. It also, by implication, underlines *the* critical factor that will decide who has most success in this very serious game of solving the impossible – leadership.

For me, I do not think this will be an arrogant, 'hero innovator' kind of leadership; rather, I expect that success will sit with those who display a much more humble, inclusive and distributive leadership style, characterised by an absolute determination and focus on the job in hand, but also able to admit, promote and implement the ideas of others, tolerate setbacks (even outright failures), innovate repeatedly and at speed, whilst also sustaining patience. No mean feat, for sure, but the most appropriate leadership for these times I think.

So, turn the pages and, above all, keep an open mind. It's one of the few things that's still free and that no amount of deficit reduction will ever be able to render unaffordable.

Mark Rogers

Chief Executive

Solihull

March 2012

Foreword by the author

Revolution is in the air. Recent evidence shows how revolutions across history were triggered through a lack of resources such as food and water and financial recession. In 632 BC drought led to the Greek constitutional crisis; 476 AD drought led to the Roman Empire fell; 907, 1368 and 1644 AD the Chinese Tang, Yuan and Ming Dynasties collapsed due to drought; and in 2011 we witnessed the Arab Spring. These major events can change history. In all of these examples – dynasties, empires, tyrannies, civilisations and governments fall when resources are tight. Revolution is in the air.

Ripples from the global recession of 2007 to 2009 are also pushing us to the cusp of a revolution in how we lead, design and manage government – hastened by the inability of the old style of government to meet the escalating needs and wants of the population. Our struggle between old and new models has been a slow gestation, and perhaps you have recognised the tension:

- Doing services to people *vs* with them
- Knowing the costs of everything *vs* knowing the value
- Command-and-control *vs* facilitative style leadership
- Risk aversion *vs* risk management
- Fewer, larger providers *vs* smaller, more local providers
- Standardisation of services *vs* innovation and personalisation around the user
- Targets *vs* outcomes
- Regulation *vs* freedom
- Linear *vs* systems thinking.

The revolutionary new model is founded on *systems thinking*. Whilst systems thinking has been around for 40 years, we are now witnessing a burning platform of cuts, chaos and slash and burn politics that is accelerating the change.

You may wonder why I'm talking about revolution in a book about *commissioning* and the new *Outcomes & Efficiency* model for local government? Well these are the practical tools to design our new system. Your toolbox to create radically better services that improve lives and at the same time cut budgets by up to 50% – a *Revolutionist's Guide to Future Government* if you like.

Despite the hardships ahead, this is an exciting time for the revolutionaries.

Introduction

PIPC has been fortunate to work with Members, Chief Executives, Directors, policy officers, commissioners, service managers, providers and community leaders from across the country. We have distilled this expertise into the new Outcomes & Efficiency model, and then applied and tested the model through opportunities such as the national Commissioning Support Programme.

Many of the techniques we encounter in this handbook will work well in a steady-state world, but the Outcomes & Efficiency is particularly adept at dealing with large scale change, complexity and cuts.

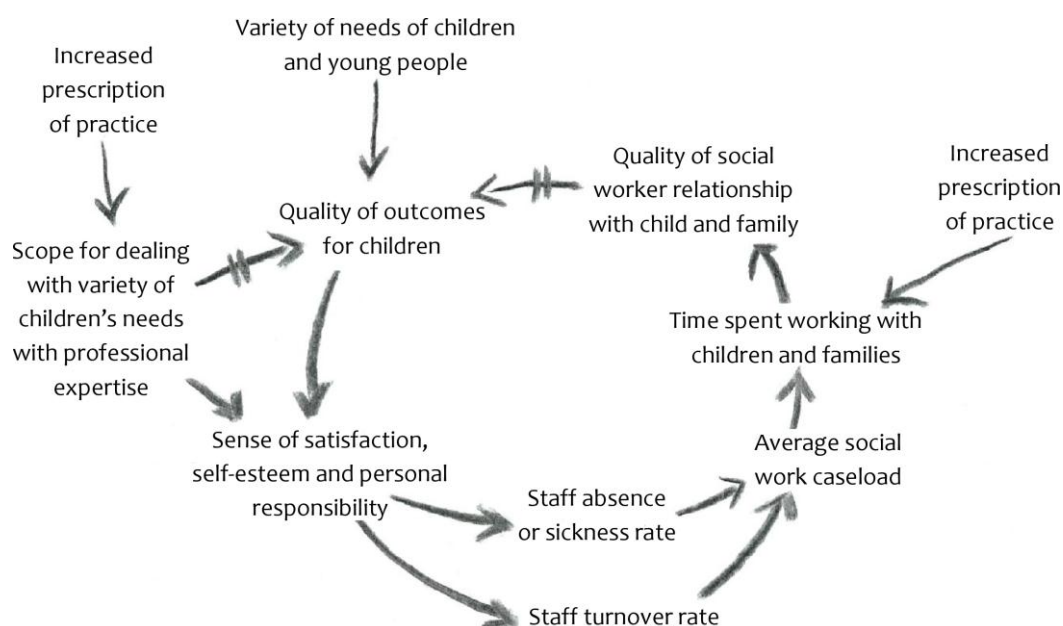
Outcomes & Efficiency – What we refer to in this book as *Outcomes & Efficiency* is a melting-pot of techniques that can be combined to radically and quickly redesign the whole system of services in a local area. It is founded on systems thinking, commissioning and change management. And despite being a relatively new model, by 2010 Outcomes & Efficiency was already deployed in one in ten local areas across the country by pioneering local authorities and their partners.

This book is important for the public sector. The story is told through four chapters of development that will enable you to build a resilient organisation that is able to radically and quickly transform: designing the system of services, partners and citizens; implementing a full commissioning model to manage the system; realising the benefits through dynamic change management; and a final chapter describing a practical example to implement the new Outcomes & Efficiency model. This is a journey of exploration through public sector leadership, motivation, systems thinking, appreciative design, behavioural change, nudge, culture, chaos, frogs, monkeys, elephants and even more exciting developments...

This is a perfect time to bring in our first bit of systems thinking before we jump into chapter one. In most systems there are feedback loops, some are positive where the end result spirals out of control, and some are negative which act as brakes to dampen changes in the system. A simple example of positive feedback is the PA system at a concert – the performer speaks into a microphone and the sound comes

out of a loudspeaker, if this is too loud then the loudspeaker sound goes back into the microphone and a loop is set up. That's why you sometimes hear that ringing feedback noise that gets louder and louder.

Feedback loops in public services – Professor Eileen Munro and Dr David Lane developed a model for social care showing the workload and linking this to demand and outcomes for children and young people. The model clearly demonstrates the complexity of managing local services.



Causal loop diagram for social work. This systems diagram shows a feedback loop where increased workload leads to low self-esteem, sick leave, high turnover and poor outcomes in a continuous cycle.

Source: Professor Eileen Munro and Dr David Lane, LSE.

The same idea of feedback loops exists in society and public services, and some of the most *wicked issues* (as they are termed) are examples of positive feedback loops, such as anti-social behaviour, teenage pregnancy or the generations of worklessness. Another example is the perfect storm that the public sector finds itself in as a result of the 2007 to 2009 global recession.

Perfect storm

We have entered a new era of government – partly through the natural permeation of emerging ideas, partly due to political transition, and mostly because of the UK deficit. The current model for government is seen as unaffordable – creating the most fluid time in service design in the last 50 years. There is no inertia. We are at a point where improvements that would ordinarily take a decade to come to fruition will be accelerated – where a small push can have a dramatic impact. Where radical transformation and efficiency becomes an exciting reality.

However, the challenge is more than the UK deficit – we are in the eye of an unprecedented perfect storm – a positive feedback loop with a combination of factors that are a tragic threat to our most vulnerable communities and families.

Investment – A significant period of increased investment in public services over the last two decades has led to a culture that expects delivery problems to be fixed by more money. We have lost a little of our entrepreneurial culture and skills to transform services and create efficiencies – this is an important theme we'll return to later.

Public expectation – Coupled to the increase in investment is an increase in public expectation about the quality of services with much greater communications and media influence. This is particularly tricky to deal with when service quality is cut. In 2010/11 turnover of Directors in children's services was around 25% per year, it will be interesting to see how this changes with public dissatisfaction. The relationship between commissioning and public expectation is a fascinating and little documented phenomenon – indeed it may be necessary to monitor and adjust public expectation *before* changing service designs.

Demand – We are at the brink of a significant increase in service demand, most notably in older people services due to demographic changes, and social care related to family services. Demand has increased due to changes in public and professional perception of risk following high profile cases, the impact of the recession on vulnerable families which is starting to bite, and the impact of cuts made by central government and local partners. Because local and central government services are closely related to each other, cuts in one area will drive demand to another, this is very difficult to quantify and it is likely that the demand experienced now is the tip of the iceberg.

Cuts – The frontloaded settlement for local government is particularly difficult to meet, driving savage cuts with little time to redesign or improve efficiency. These cuts are the most significant challenge in the careers of any local politicians or officers, and subsequent years of cuts will be increasingly hard to deliver.

Paralysis – The personal impact on staff is potentially overwhelming leading teams and individuals to feel paralysed – like rabbits caught in headlights. There is a human tendency in uncertain situations to focus on the changes – What’s going to happen next week? Why is my boss leaving? Where will I be working? How will I pay my mortgage? In recent local government reorganisation this level of paralysis was reported for two to three years. We cannot afford for that to happen across the country at a time when staff need to be pulling together and motivated to improve efficiency.

Each of these challenges would be enough on their own, together they reinforce in a feedback loop – becoming local government’s perfect storm.

Scale of change – The challenges we face in the UK public sector are stark, and consequently the solutions will have to do more than *move the deckchairs*. The logical conclusion of systems thinking is a radically different government, but this once in a lifetime transition will be commensurately difficult to achieve.

The huge scale of change is not overlooked in these pages, however we hope that even the most conservative reader will agree that there is little choice but to change, take on the challenge, and embrace the new world.

There are two failure-modes openly discussed in local government – the first is that it is impossible for politicians and leaders to make the really difficult decisions, leading to bankruptcy. The second failure-mode is that we cut services and therefore slash users’ outcomes – scarring a generation of vulnerable local citizens. We can’t afford either of these failure modes, so what is the answer?

Before we jump in, it’s helpful to take a look at the different approaches to efficiency that have been seized upon by successive governments, to show how these fit with Outcomes & Efficiency, and how we will tackle the perfect storm. The approaches are ordered in terms of their ease of use and effectiveness in transforming services and unlocking value.

Historic solutions

Historic solutions can be categorised by the phrase: *if you cut without understanding what you are cutting, you cut value from the system and not waste*. (Of course, whilst these approaches to efficiency are undesirable they are sometimes deemed necessary when there is little time or little information to support better decisions.)

Salami slicing – Where a percentage saving is cut from all services without understanding the impact of the cut. This is a favourite approach because it's quick and easy to implement in a command-and-control environment – it can be a catastrophic model leading to a consequent decrease in user outcomes and service value (the second failure mode). The further away from the citizen, the easier it is for managers and politicians to use salami slicing.

Thresholds – Raising thresholds to service access, stopping some users from being helped, and leaving unmet need. Higher thresholds can actually be expensive because they reduce the opportunity for early intervention, i.e. waiting for the issue to become expensive before acting. In some councils, the business case for raising the threshold to access older people services has found that the system is more expensive as problems are stored up, as well as leading to worse outcomes for citizens.

Stronger procurement – There is a good argument for stronger procurement and negotiation with (internal and external) providers to secure single digit savings – but there are also dangers. This model only addresses transactional costs (what if you're buying the wrong things?) and it is likely that larger savings will only come through redesigning services, achieved by leveraging better relationships with suppliers that might be ruined if the procurement stage is too aggressive. The cost of procurement can also be large in comparison to the size of contract and risk.

Back office – A grey line between front-office and back-office means it's difficult to understand the impact of cutting back-office staff. Indeed, some local authorities are finding efficiencies through increasing the number of back-office staff, such as in social care.

Delayer and freeze posts – Where blanket decisions are taken to reduce the number of layers of management, or to freeze any recruitment or changes to staffing. Again, this is an easy high-level decision that is made without understanding the impact on services or the outcomes for citizens.

Emerging solutions

The following emerging solutions are starting to be applied in varying degrees across the public sector and are ordered by how difficult they are to implement. They are characterised by being more complex than historic solutions, requiring a better understanding of the system and more time to put in place – but as we will discuss in chapter four there are practical models for building a public sector based on these emerging solutions.

Shared services – Sharing back-office functions, core services and contracts across a local area (such as a local strategic partnership, neighbouring authorities, region) to increase buying power or reduce administrative costs. This is likely to be a popular theme for the foreseeable future as we seek the optimum scale for a range of services.

User centric design – This 1980's concept from industry is the underlying principle of many local government initiatives such as commissioning, big society, localism, NHS QIPP (quality, innovation, prevention and productivity), community budgets, Every Child Matters, children's trusts. All of these initiatives are a spin on the common theme of designing services around the citizen, and can be managed together through a single programme of transformation such as the Outcomes & Efficiency model. The principle of user centric design is to ensure that different services are integrated together for a better user experience, and that services are closer aligned to achieving the outcome that the user wants or needs – improving efficiency by getting it right first time and reducing repeat failures.

Community budgets and total place – Understanding all the resource in a local area (such as the public money and buildings used by council, police, NHS, job centre plus, schools) and looking at how these resources can be integrated and managed to tackle wicked community based issues.

New relationships between state and citizen – For example, through personalised budgets, co-production, collaboration, big society and appreciative models of intervention. Organisations and communities are defined by the interactions between individuals; this solution is about unlocking resources from citizens and communities by redefining relationships because it's more efficient to deliver services *with* rather than *to* users. Curiously a new relationship between the state and citizen has to be founded on new relationships between professionals and families – we are therefore likely to see increased value placed on relationships in local government services in the next decade.

Lean and systems thinking – Lean has been popular in the health service, although has often been used to reduce transactional costs or review a single pathway rather than the whole system. Lean was first developed by Toyota to improve their manufacturing and is closely aligned to systems thinking.

Systems thinking is about understanding the environment and complex interactions between different components in the environment – often leading to radically different methods of service delivery. The next chapter in this book explores systems thinking in much more detail, but we'll include a teaser here.

Systems thinking in engineering – In the past, an engineer designing a car would improve performance by redesigning the material in the brake pads. However, a systems engineer might take a different view by examining the boundaries of the whole braking system. For instance, looking at the interaction between the brake pads and discs under different circumstances; the effectiveness of the brake pedal sensors; how well the hydraulics work; tyre grip and durability; the way the driver uses the pedals and controls; the reaction time and visual / audio awareness of the driver; road and weather conditions; time of day; etc.

This is a more complex approach, but likely to result in a much more effective system and better driver safety.

With each model for efficiency there are pros and cons, some feel like safe territory that we are familiar with from the Gershon programme, others feel difficult to implement. There is always likely to be a balance of historic and emerging approaches to tackle immediate and longer-term challenges – but the balance of these must tip.

It's an interesting observation of human behaviour that the further the temporal, structural or geographic distance is between decision and impact, the more likely we are to use historic approaches. If the attribution of cuts is difficult to prove, then we tend to choose the easy options.

Unfortunately, we've already found much of the low-hanging fruit, the transactional savings, the quick and easy efficiencies. Now we have no choice but to make the emerging solutions work, and as we'll find out in the next sections, systems thinking and a mature commissioning model are key to unlocking these solutions and securing the next level of efficiency.

Four chapters for radical transformation

The answer isn't even new – in local government we've been developing our *systems thinking*, *commissioning*, and *change management* for decades. What is new is the urgency, our appetite and need for these approaches to deliver right now, to repair the damage from front-loaded cuts. Local areas have shown they are able to radically transform when the lessons from these four simple chapters are explored and taken wholeheartedly, in sequence and across all services.

First up is the concept of **Systems thinking** that can be counterintuitive, challenging and often impossible to control using old fashioned management. We start with seven surprising truths to stir the brain cells and explore the incredibly complex world of people and place services. If this is a big culture change for government, then how do we manage that transition, and what are the models of leadership and management that will guide the organisation and communities?

Chapter two takes us into a more practical world of **Commissioning**. Moving from process and system based definitions of commissioning, to the application of commissioning and how it will unlock efficiencies in complex service areas across government. Commissioning is now understood as the future model for public sector management – allowing us to design and lead complex systems. We look at the important questions about where the efficiencies come from, and how we can put in place the practical foundations of our new commissioning organisations.

Chapter three is about change management, or more specifically **Dynamic change management**. Sounds boring, but unrealistic and poorly conceived change plans are to blame for the failing of many a good idea. We take the models of conventional change management and show how to apply them to dynamic and complex service areas, where leadership of the change is distributed through the system, and where we want to change a whole environment and culture. Later on we explore how change impacts individuals and organisations, and how to manage both through their experiences.

And chapter four **Practical Implementation** ends our journey towards a final model for government transformation, where we bring together the themes of systems thinking, commissioning and dynamic change management into an example model called Outcomes & Efficiency. We won't solve all of the wicked issues right now, but simple application of the concepts in this book will help us to get a little closer to the future, now. Four chapters for radical transformation.

Chapter 1: Systems thinking

Whilst elements of this chapter will be very familiar in local government, we can also expect systems thinking as a discipline to evolve significantly in the next decade. Part of the reason for the inertia or delay in fully embracing systems thinking is that it is a very different way of thinking, a challenging culture change for staff and organisations. Many of the current organisational designs, political structures, target and inspection regimes, legislation, risk aversion and public expectations also act as barriers to systems thinking and implementation of Outcomes & Efficiency.

So if systems thinking is going to be the next exciting evolution of government, let's start exploring with seven surprising truths that might initially seem counter-intuitive (because they reject many of the assumptions inherent in our current culture and service designs). We'll then look at the essential tools to bring systems thinking to your organisation – changing staff and user cultures, and exploring the leadership to nurture systems thinking that delivers efficiencies and better outcomes.

Seven surprising truths

1. It is impossible to understand services in isolation – we need to expand our view of the world – Individual services are part of a wider system, such as the interaction with end users, the way staff feel and work, the other services that contribute to the end result or outcome, the environment, etc. Trying to understand a single service in isolation is impossible because the wider system has such an impact on both the outcomes and efficiency of that service.

In the past we generally looked at how to spend the money better – forgetting about the hidden resource of the user, community assets, the network of buildings, etc. A wider systems view is essential to understand the hidden resources and to optimise this wide range of resources in the system to improve outcomes.

An interesting example is the educational system where research has suggested that good schools improve educational attainment by about 14% more than schools that are not classed as 'good' – the system around the schools such as parenting or the pupil's health has a far greater impact on educational attainment (and understanding how this system really works might lead to radically different and more effective educational system in the UK).

System Failure – A DEMOS report on the NHS suggested an excellent metaphor for the complexity of the health system and how we must use different models to understand and manage that complexity:

“One way to visualise the difference between the linear approach and the systems approach is to compare the results of throwing a rock and a live bird. Linear models are excellent for understanding where the rock will end up, but useless for predicting the trajectory of a bird – even though both are subject to the same laws of physics.

To the degree that social and organisational systems [such as the NHS] show adaptive behaviours – they are better regarded as similar to live birds than lumps of rock.”

i.e. The NHS system is too complex to understand using traditional reductionist management approaches, and we have to find new ways of leading and managing.

2. Cause and effect are *not* closely related – It's human nature to think that the cause of a service failing must be the person running or delivering the service, or a change in outcomes is attributed to actions that immediately preceded the change. As humans we are designed to seek out patterns and we like to attribute these patterns to show cause and effect – sometimes described as the *God Complex*.

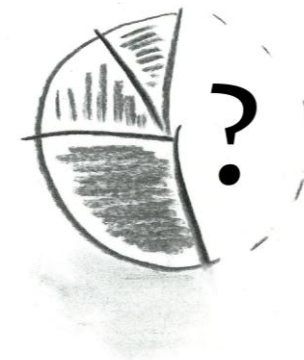
Unfortunately the real world is more complex and difficult to understand – in reality cause and effect are not always (or even often) directly related. An unintended consequence of our belief in patterns can even be that we reward and promote actions that were *not* related to the effect, leading to a *less* efficient system and conviction that this is the right solution.

So we are left with a conundrum: if the relationship between cause and effect is difficult to determine, then how can we direct the system? If a manager cannot control anything with certainty or command a system into some form of order, is management really possible? What is the purpose of a manager?

Cause and effect in New York – This is a quick example to show how cause and effect can be unexpected in complex systems – leading to wasted resources as we believe the wrong solution. In the film and original book called *Freakonomics* economist Steven Levitt explores the sudden reduction of crime in the 1990s in New York following a big increase in the 1980s. Could cause and effect be correlated?

Many theories were put forward by experts and politicians including (in order of how often they were suggested in the media) innovative policing; harsher sentencing; changes in the crack market; gun control; stronger economy; and deploying more police officers on the streets. Levitt analysed the attribution of these factors and found the following statistical causality:

- Innovative policing: **0%**
- Sentencing: **30%**
- Crack market: **15%**
- Gun control, stronger economy and more police: **10%.**



This still left **45%** unaccounted for – surely there must be another cause that led to a sudden drop in crime rates.

As it turns out, cause and effect in complex systems is unexpected: 15 years earlier abortion was legalised in New York. The reduction in unwanted children directly correlates to the reduction in crime a generation later, confirmed by similar but opposite results in Romania where abortion was made illegal in 1966.

3. Dividing an elephant in half does not produce two small elephants – This quote is from *Fifth Discipline* by Peter Senge – referring to our cultural beliefs that any system can be analysed and understood by breaking it down into smaller constituent parts.

You can see this reductionist culture manifest in the design of Government. For example, we run service areas through large unwieldy central government departments – in a pyramid of power structures. We divide and manage staff through similar pyramids, so that systems can be broken up and managed separately. And often we provide services in isolation of each other, so a family with 20 identified problems receives 20 services from 20 specialists, with a confusing user experience, little coordination, and poor understanding of the real needs, strengths and impact of interventions.

Why do we have partnership working? – Our response to crisis in the public sector is often to look inward, get our heads down and find the solutions from within the organisation or team. But if solutions come from understanding the wider system, and efficiencies from changing the whole system (rather than isolated services) then maybe getting our heads down is the wrong response. Partnership boards such as local strategic partnerships, data sharing agreements between organisations, joint commissioning frameworks, etc are all ways of understanding the system and providing the tools to find cross-system efficiencies.

Dividing systems into constituent parts will reduce the apparent complexity so it feels like we can manage each part, but the division actually reduces our understanding of how the whole system works (a dead elephant). In fact, systems don't even have boundaries and the interaction with other service and geographical areas reduces with distance but never drops to zero.

It's very important that we choose the right scale of strategies, teams, outcomes, efficiency measurement, etc – and look for the interaction with other parts of the system. This surprising truth is particularly important as we build commissioning teams and expertise to architect the system.

4. Self organising systems are by definition out of control and chaotic – Systems thinking is closely related to chaos theory. There is a famous chaos theory analogy that describes small changes in the weather system (a butterfly flapping wings in Africa) having large impacts (such as a tornado in Texas). Complex systems, such as the services that local government is responsible for, will always appear chaotic because the interactions are too numerous to fully understand.

Small disruptions or differences in the initial conditions of a service or citizen will be difficult to spot, understand or control. For example, Texan Mother Norma McCorvey in 1973 triggered the legal case that led to the availability of abortion in New York and reduced crime rates. And our life chances are strongly influenced by early experience during pregnancy and the first few years of life. But it is impossible to predict in advance the specific cause and effect in these examples.

It's not all bad though. Complex self organising systems have negative feedback loops that control the behaviour of the system, these are apparent in all areas of society. As an example, the size of the human population is controlled by negative feedback loops related to resource availability and the environment. i.e. When food or water is constrained by a large human population, the population shrinks again until resources are more abundant.

Like a slow-boiled frog on a stove-top, we will only be able to jump to a new paradigm once we understand what is wrong with the old one. We will only accept new models of management and design once we understand that the services we are responsible for are self-organising and chaotic systems. Local government can then begin to test and change these feedback loops through commissioning to create more efficient and effective services. A good example of applying systems thinking and feedback loops to government is described by Professor Munro in her radical examination of social care for children's services.

5. Tools, processes, rules and standardisation can lead to waste

– Creating a new process, standardising services or costs, following rules, and using tools are all popular approaches to management. But too often this management restricts learning and innovation, is used to disempower staff by restricting their ability to think, and ultimately creates a system that is unable to adapt to new challenges and demand.

As an example, the introduction of poorly designed IT based processes (such as for benefits or customer services) to lower transactional costs often creates a system that prevents any deviation from the process, and so is intolerant of demand variance and unable to personalise services to citizens. Transaction costs might be lower (and the new IT service meets design targets) but users are likely to be dissatisfied and therefore there are more transactions as both staff and users navigate the service. The result is often a costly redesign, more failure demand and waste.

Waste – Revealing studies by the systems analyst John Seddon attribute up to 78% of calls to council customer services as *failure demand*. i.e. waste generated by citizens calling back because their original enquiry was dealt with incorrectly before, generally because the enquiry varied from the tightly prescribed process. Of course this waste is not limited to local authorities, similar studies have also found that some banks have a failure demand of 60% (a statistic that perhaps many of us have experienced!).

6. You cannot wholly measure the quality of services (or citizens' outcomes) – We are good at measuring the inputs and outputs of a service (such as the staff hours, or the number of users) but far less good at measuring quality and outcomes. This is because outcomes are both complex (impacted by a large range of interactions in the system) and subjective or intangible. We can however measure proxies to outcomes (such mobility or GCSE results).

Our inability to fully measure outcomes is an important concept for systems thinking. There are often risks in measuring proxies such that

we start to believe the target is what we want to achieve, rather than the real human outcome. Examples include our focus on central targets for waiting times and consequent behaviours that created in some service areas, at the expense of citizens' outcomes.

Goodhart's Law – An economist, Charles Goodhart, observing government regulation of the financial sector in 1975 derived a law which is often paraphrased as: *When a measure becomes a target, it ceases to be a good measure.* Or colloquially: *You can't fatten a pig by weighing it!*

Unintended consequences are often referred to as *gaming*, where those subjected to targets will find ways to deliver the performance measure, even if that leads to worse outcomes for the end user. Well known examples of gaming include NHS trolleys with their wheels taken off so they qualify as beds, applications for benefits being rejected due to lack of information to meet process time targets, and local authorities giving voluntary sector providers a script for their interview during Ofsted inspections.

How targets distort the system – If you were a policy officer in a (nameless) central government department redesigning services that would lead to savings of £1bn per year, you might have thought that performance management would reflect those aims. How quaint. The reality is that it is quite hard (impossible) to measure policy outcomes, so whatever is easy to measure slowly becomes a department target, and then slowly becomes the most important thing that a policy officer does, permeating the culture. Can you guess this most important thing?

That's right – answering letters on time...

7. People don't make the right decisions – We know as citizens we don't make the right decisions – we smoke, we eat too much, we're lazy and we are often mean to each other. We are irrational creatures, but much of our current service design makes the flawed assumption of rational decision making.

Research in the fields of biology, chemistry and psychology is starting to converge on a model of how the human brain works – Jonathan Haidt in *The Happiness Hypothesis* likens the brain to an elephant and its rider. The elephant is the primeval unconscious brain that has evolved over millions of years, the rider is the conscious modern brain that developed relatively recently. The relationship between rider and elephant is symbiotic – we slowly train but never control our elephant (and worse than that we automatically justify and rationalise bad decisions made by the elephant without even consciously realising it!).

Dr Jekyll and Mr Hyde – We’ve been fascinated by the relationship between the conscious and unconscious brain throughout history, so it’s exciting that we are finally converging on this more explicit elephant-rider model. Let’s illustrate the different roles of the brain with a little research: as you are reading this book, your conscious brain is aware of around 40 pieces of information per second. No cheating, can you guess how much information your unconscious brain is processing?

The staggering answer is that your unconscious (elephant) brain is processing 11,000,000 pieces of information every second. That’s not a typo – *eleven million*! Perhaps because it’s easier to measure and control conscious responses, we tend to design our services around the 40 and not the 11 million.

(There is also emerging international research which suggests that human brains are hard-wired with six main psychological foundations that are the basis of morality (harm & care, fairness & reciprocity, group loyalty & betrayal, authority & subversion, sanctity & disgust, and liberty & constraint) and that the strength of these morals in relation to each other is strongly correlated to the political party that we vote for. But we won’t go there today...)

So the question is what can we do with this new understanding? Recent models such as *Nudge* (written by Richard Thaler and Cass Sunstein) take a step further than the research by observing this human decision-making and suggesting commissioning approaches to incentivise positive behaviour (also known as *choice architecture*). *Nudge* is primarily concerned with influencing the elephant, or changing the decision making process so that the reflective rider is in charge of their choice. *Nudge* is the practical application of recent cognitive theory to public services.

There is a spectrum of behaviour change mechanisms from legislation to marketing to *Nudge* to steering social values of a community (for instance socio-engineering the UK’s belief in climate change, or seat-belts, or gender equality). Can we simplify decisions or create default choices (such as enrolling everyone on the donor card scheme and providing an opt-out), or influence herd-mentality (by informing citizens that most people recycle), or delay the impact of decisions (such as pension schemes that automatically increase contributions... next year). And could this be a much cheaper way of designing parts of the local government system than providing services directly?

MINDSPACE – This Cabinet Office report (note the acronym) lists the following impacts on behaviour that may inform commissioning for particular services. To be fair, Government is at a very early stage of exploring the application of behaviour economics, but watch this space.

1. **Messenger** – we are heavily influenced by *who* communicates information
2. **Incentives** – our responses to incentives are shaped by predictable mental shortcuts such as strongly avoiding loss
3. **Norms** – we are strongly influenced by what others do
4. **Defaults** – we *go with the low* of pre-set options
5. **Salience** – our attention is drawn to what is novel and seems relevant to us
6. **Priming** – our acts are often influenced by subconscious cues
7. **Affect** – our emotional associations can powerfully shape our actions
8. **Commitment** – we seek to be consistent with our public promises, and reciprocate acts
9. **Ego** – we act in ways that make us feel better about ourselves.

Changing the culture

Up to now we've been looking at the challenges, complexities and surprises that local government faces when uprooting long-held notions of service design and management. Despite the inevitable despair (we tackle the emotional side of change in chapter three, and many will seek refuge in the false comfort of command-and-control) there are systems thinking tools and approaches that can be deployed now to manage and design local government.

Outcomes & Efficiency is one such model that enables us (within the current constraints) to apply systems thinking and start to reap the benefits from these new approaches. This section on culture change and the following section on leadership show a few of the concepts now being used to nurture different ways of thinking and create an environment that shifts us towards the efficiencies from systems thinking.

Peter Senge on systems thinking – “From an early age we are taught to break apart problems, to fragment the world. This apparently makes complex tasks and subjects more manageable, but we pay a hidden, enormous price... We tend to focus on snapshots of isolated parts of the system and wonder why problems never seem to get solved.”

Systems thinking is a big culture change for staff and organisations; it feels counter-intuitive. This is because the culture in the UK has grown up with fondness for linear design and command-and-control leadership. This culture is formed from a very young age: at school when faced with a difficult problem we are taught to break it into smaller parts, solve each part, and put the solution back together again. But we know from the divided elephants metaphor that we cannot break a complex system into discrete parts to solve. We know that we cannot take a family with 20 problems, solve each problem with a specialist, and put the family back together again. This has been shown to be an ineffective and very expensive design, which is why the *Think Family* model that creates a smaller team around the family to build on their strengths and tackle their needs is one of the first wave of system redesign models in local government. Building on designs such as Think Family can help to change staff culture and attitudes.

Think Family – Think Family is now a familiar model in children's and adult services – building a team around the whole family, with a much smaller number of professionals. The smaller team allows staff to understand the systemic problems facing family members, establish relationships and improve outcomes as a team of professionals. A local example has now shown a return on investment of £2.10 for every £1 invested in the Think Family model – just considering savings from the first year of delivery.

Another successful model goes even further by inviting the family to participate and then recruit the professionals that they'd like to work. The new programme emphasises real co-production of outcomes, an appreciative model that builds on family strengths, and developing better relationships and love between the professional team and family.

Professor Clarkson in her study *Learning to Unlearn*, says “In order to learn new things, you have to give up the past. It is impossible to learn without first unlearning.” This is insightful both because of the process that staff and organisations must go through to reform their culture and commissioning approaches, and because self-learning is a fundamental aspect of successful businesses and complex systems. We have to nurture a culture of self-learning and adaptation in local government; perhaps building self-learning and adaptation into contracts, services and workforce management in the future.

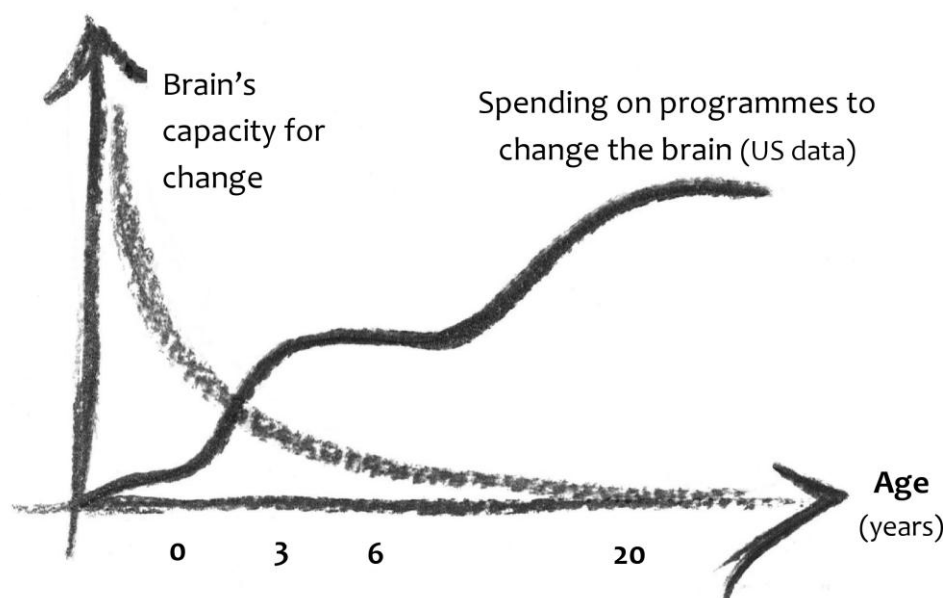
This culture of self-learning in local government commissioning and provision will go some way towards compensating for the reduction in direct control in the new world of systems thinking. The *Results Based Accountability* model pioneered by Mark Friedman (and now commonly adopted in local government as Outcomes Based Accountability) is a

practical way of generating a self-learning culture that is focused on system based solutions, small changes to services that have big effects, and low-cost / no-cost ways of improving outcomes. Friedman uses a technique called *Turning the Curve* that emphasises how the system creates population outcomes, and how everyone can work together to improve those outcomes in collaborative and often innovative ways. Rolling out this model with citizens, politicians, commissioners and providers is another tool in the systems thinking arsenal.

Management technique: don't build static services and systems. Build change into structures, services and contracts – design a learning culture and dynamic environment.

Children's brain development – Bruce D Perry's research into children's brain development produced an interesting graph showing capacity for change against age, and also plotted the United States spend data for children's services as a comparator. What we can see from the graph is that we invest far more money when the brain's capacity for change is almost fixed, than we do when we can really influence the development of a child.

These findings informed Graham Allen and Iain Duncan Smith's report *Early Intervention: Good Parents, Great Kids, Better Citizens*. Do we have our investment in children's services the wrong way round? Could we get much greater outcomes and efficiency through systems thinking?



Graph showing the capacity to change the human brain from conception to 20 years old. And corresponding graph of investment in services to change the human mind (US data). Source: Bruce D Perry.

Leadership

This could have been a standalone chapter: effective leadership is such a critical component of systems thinking. With the forthcoming challenges arising from systems thinking in the public sector – what models of leadership can we use to ensure that the local culture changes, systems becomes more effective, and Outcomes & Efficiency is successfully implemented?

Leadership in the new world is more about enabling a conducive environment to develop that in turn nurtures your desired system / services, than it is about directly controlling (or managing) that system.

There is a now a global move in business and government from command-and-control to facilitative leadership styles: leadership that recognises and uses the dynamic system, values partnerships, appreciative models of delivery, motivation, inspiration, networks and influence, learning cultures, transformational change, risk management and entrepreneurship. Leadership that looks outside of the organisation to the networks of agencies, services and citizens, interconnects issues, harnesses hidden resources, generates public value, adapts to changing environments, economics and politics, leading and commissioning through influence and inspiration.

To a certain extent, this emerging model of leadership is recognition that organisations are based on people and chaotic interactions, we can't micro-manage everything, we can't force change in complex systems. The seven surprising truths are starting to take hold: the king is dead, long live the king.

But before we get carried away, it's worth taking a moment of reflection to recognise the transition from the old model of leadership to the new. Much of the thinking and environment of local and central government is reductionist command-and-control. We cannot expect the level of change required to happen over-night – there will be a balance between the required styles of leadership and models of efficiency over that transition. Leaders might be wise to recognise which model they are using and the circumstances in which each will get the best results. As we will see, Outcomes & Efficiency seeks to use the strengths from both leadership models to create a practical way of radically redesigning services, within the constraints of the current operating environment.

As effective leadership is required at all levels of an organisation, and across partner agencies and communities, there is no quick and easy model for creating this new leadership style. Studies such as those

by Douglas McGregor on *Theory X Theory Y*, Ralph Stacey on *Strategic Management and Organisational Dynamics*, and John Kotter on *Transformational Leadership versus Transactional Management* are helpful to steer the development of new leadership cultures. But we can expect the transition to be a significant challenge for government.

Command-and-Control vs Systems Thinking – This following table contrasts the key points between command-and-control and systems thinking with a McGregor-Kotter mash-up. In reality, we are likely to require both forms of leadership at different times for success.

Command-and-Control		Systems Thinking
Top down view	vs	User centric / outcome view
Break into functions, discrete services, specialist roles and standardise	vs	Understand the whole system and personalise
Costing activity and transactions	vs	Valuing outcomes and experience
Planning and milestones	vs	Vision, beliefs, principles, environment and culture
Target setting, bureaucracy, and perception of order and control	vs	Nurturing an adaptive, autonomous, chaotic, and learning environment
Wary of risk and innovation	vs	Managing risk and encouraging innovation
Contractual / adversarial relationship with providers and often partners	vs	Partnership delivery models valuing relationships
Extrinsic motivation through carrot and stick	vs	Intrinsic motivation through recognition, pride, engagement, visible impact on citizens
Mistrust of staff and desire to control, mistrust of citizens and desire to do services to them	vs	Belief in staff and citizens with appreciative models for service design
Transactional and process based relationships with citizens	vs	Valued and personal relationship with citizens
Left brain	vs	Right brain
Yin?	vs	Yang?

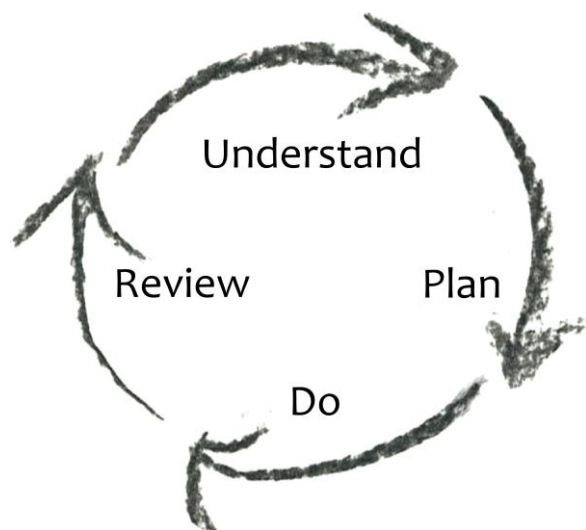
Chapter 2: Commissioning

As a concept, commissioning can be traced back to the Second World War and establishment of early intervention in the NHS – the idea that we can redesign the system of services to be more effective, rather than just improving the quality of services.

The modern design of commissioning we now recognise started to develop in the mid-90s when national politicians became frustrated that resources they were putting into the frontline were not improving people's lives as much as they hoped. Politicians began to understand the system. Frustration became a realisation that real improvement in user outcomes came from the way the system around them worked as much as from the raw resource. Commissioning as we know it was born from a need to organise and architect the system.

Recent changes in commissioning have therefore led to an evolving profession: systematising the business functions that make up commissioning; applying the emerging approaches to efficiency such as user centric design, community budgets and systems thinking; and drawing more and more services into the commissioning cycle. Ministry of Justice, Department for Work and Pensions, NHS and local government now recognise themselves as commissioners.

There are several ways of describing commissioning: as a process, as a group of key functions, and as a set of professional competencies. The simple cycle of *understand*, *plan*, *do* and *review* is the easiest to recognise with wide popularity across government (all other commissioning cycles can be mapped to this – making life that little bit less complicated). However, commissioning cycles can often focus organisations a little too much on the process of commissioning to the exclusion of what's needed to make the process work.

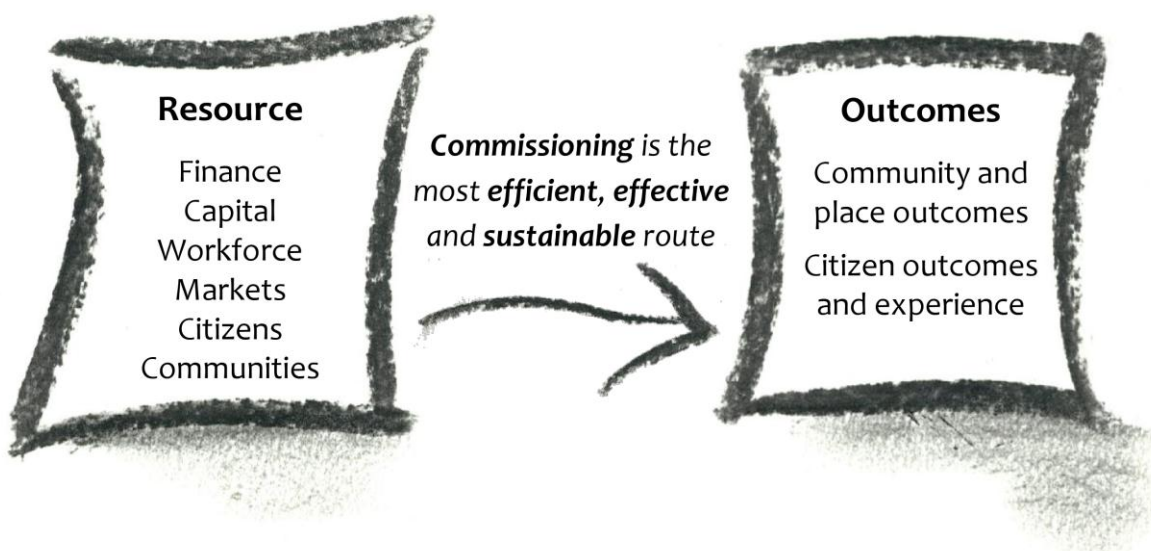


Hold on, where does procurement fit in? – Whilst it's common to hear commissioning and procurement used interchangeably they are quite different and it is important to underline this. Procurement is “the process of acquiring goods, works or services from (usually external) providers / suppliers and managing these through to the end of contract”. Procurement may be one of the mechanisms that commissioners choose to use, but there are always many other ways to achieve the outcomes we're looking for that must be considered as part of the commissioning cycle.

As it grows in popularity, commissioning is now achieving recognition as the core function of central and local government, the 23rd profession of government. For many it is the panacea to our efficiency challenges and the perfect storm we discussed in the introduction, unlocking our ability to use systems thinking in the public sector. Future development of commissioning will be similar to the model for project management – where a small number of people are professional commissioners (up to 70,000) and almost all of the public sector has an awareness of and uses aspects of commissioning. But for now this is an immature profession taking its first baby steps – as a country we will require a huge step-change in commissioning maturity over the next few years.

So what is commissioning? (Like *love*, everyone wants it, but no one is quite sure what it is!)

The broadest definition of commissioning is ‘deciding how to use the total resource available in order to improve citizens’ outcomes in the most efficient, effective and sustainable way’. It's often easier to show this in a diagram (defined by PIPC in 2007) – imagine a local area, for example Birmingham, and all the public resources that come into the area, and the outcomes that we're seeking to achieve.



The broadest definition of commissioning is important, because it shows the significant changes we can expect in the next few years and the efficiencies derived from those changes. In the past commissioning focused on the money and staff, procurement and performance management, and a small slice of a citizen's needs.

Now commissioning is much more exciting as it encompasses the full range of resources, many different ways of improving outcomes, and the whole system of services and range of outcomes that we want to achieve. This is why commissioning is the future model for government.

Category management – There is increasing interest in a variation of procurement called category management that aligns well with commissioning. Category management treats a group of related services as a category and manages the whole group as one (for example, looked after children residential care, fostering, adoption and SEN can be managed as a category because this is a similar group of needs and providers). Category management includes specific stages of market management, supply chain analysis and needs assessment, again with similarities to commissioning.

There are three areas to discuss in more detail that show how commissioning will deliver efficiencies as well as better outcomes. As we go through, compare these to the emerging approaches to efficiency in the introduction, and to the seven surprising truths in chapter one, and you will spot many of the same themes.

Efficiency through optimising resources

The majority of our commissioning development has been focused on how we optimise the use of money, or the staff that we directly control (through internal provision). Commissioning, as we've defined it above, is actually about lots of other hidden resources too, and it is reasonable to expect that we will become much better at optimising all of these in the next few years. Note this is sometimes referred to as the *enablement* role for local government.

For instance, the best design of internal and external workforce to deliver a particular service or return for the end user (note that workforce development should be through a commissioning process, not a standalone document on a shelf). Or the optimisation of public buildings in the local area (are they all in the right place and used collectively to create best value for the community?). Or perhaps there are ways to improve the contribution to outcomes that citizens make

themselves, such as building community resilience, or good parenting skills. There are many ways to optimise resources and these should all be seen as core to good commissioning.

Optimising the money – It's interesting to look at the total public money coming into a local area. Through their total place pilot, South Tyneside found that the Council controls about 7% of the public expenditure (the remainder includes benefits, devolved schools grant, NHS, justice, etc). One way of looking at it is that the outcomes that South Tyneside wants for its citizens are mostly achieved through the 93% – therefore the role of the mature commissioner might be to focus on how 100% of public money is spent, rather than just the 7%. Think of the layers of management, targets, quality assurance, standing-orders and bureaucracy dedicated to the 7% *vs* the 93% – is there a better way?

Optimising community and user resource – There are many models for getting the most from communities, citizens and their families. Self-directed care, choice and individual budgets help the user to feel bought-in to the services and encourage self-contribution. The concept behind big society is to scale-up individual responsibility to communities that meet local need without state intervention. And there are many examples of co-design, co-production, recovery, re-enablement and appreciative models of care that blur the boundaries between professional and user. An excellent example is illustrated in the report *Recovery Begins with Hope* describing adult mental health services delivered in partnership with users through a very different culture.

Optimising our buildings – How we use our capital resources can affect efficiency of the system, a quick example from one London ward is likely mirrored across the country. In this particular area there is no youth provision, and yet we have a local school with excellent grounds and facilities that closes at 1800hrs every day. This is public resource that can be used much better – we need to find a way to unlock it for local citizens. Commissioning is about unlocking and optimising all of these resources.

Efficiency through targeting

Commissioning begins with a good understanding of the outcomes we want to achieve and the needs of citizens. The function is then to target resources at those citizens in need in order to improve a range of outcomes.

However, we often lack the information about citizens' outcomes and use proxy measures such as *free school meals* or *individual income*. The recent feelings of unfair benefits cuts, and frustration of national politicians, is due to an inability to apply resource fairly to citizens in need – we simply don't understand our communities, families or individuals well enough.

For local commissioners to target resources to those in most need they require up to date information about risk factors, needs, trends, etc. Supplementary information from software such as Acorn or Mosaic can help, in addition to assessments, health visitor redbooks, etc.

Targeting will be a primary method of efficiency improvement over the next decade – but this has to be coupled to practical mechanisms that increase provision to those in need, and reduce services to those who would benefit less from the service. In the past we have used questionable methods of targeting such as building children's centres in areas of greatest deprivation – forgetting that those who are better off can easily travel in 4x4s to these centres. We need more sophisticated mechanisms in the future.

Targeting through early intervention – Commissioners will also want to target resource to the best point in an individual's pathway to have greatest effect – often through early intervention or preventative services. There are however some risks and challenges that commissioners of early intervention should consider:

- Identifying the right point to apply resource in an individual's pathway is difficult, we are a long way from having an exact science and perhaps given the complexity of the system there will never be an exact science about when to intervene
- There is significant unmet demand in the system, academic interviews of children's social workers suggest that between 80 and 95% of demand they see is not met – we require a huge investment before early intervention and prevention leads to reduced demand
- Early intervention doesn't lend itself well to target driven services as cause and effect are often so far removed, potentially leading to gaming by providers rather than better outcomes. Because of the potential for gaming, payment by results and social investment bonds might be the wrong models for early intervention.

Whilst early intervention and preventative services will undoubtedly improve the efficiency of public services in the long-run it is likely to take a while before a cashable return is generated. Of course, the best form of prevention would be to co-produce a robust community able to deal with low-level need without resorting to government services; perhaps we can commission that in the future.

Efficiency through choosing the right mechanism

A commissioning mechanism is the route we choose to achieve the outcomes from the available resources or inputs, for example, procurement, pooling budgets, service level agreements, performance management, market management, influence, relationships, networks and partnership building, personalised budgets, mobilising trust, choice, big society, etc. The package of mechanisms that we choose will have a significant impact on the efficiency and effectiveness of achieving outcomes.

The big changes for commissioning will be moving from procurement alone to a mixture of mechanisms that unlock value from the wider range of resources, such as ways of influencing partner spend, redesigning internal services, supporting unpaid carers, or nudging users' decisions. It is interesting to note that *commissioning by influence* has already become a recognised activity in some local areas. And in almost all cases, a package of different commissioning mechanisms will be required to achieve particular outcomes for citizens – it is no longer enough to buy a service and think that will meet complex outcomes alone.

Market management – This is often seen as a complex area of commissioning – and it's sometimes difficult to understand the extent to which a commissioner is a manager of the market, or merely subject to it. In reality there is a package of levers that a commissioner can pull to create particular incentives, redesign, change and lead the market, aiming to improve both efficiency and outcomes. Practical levers (commissioning mechanisms) for market management include:

- The power balance between providers and commissioners
- Choosing which level the commissioning decisions are made at, e.g. individual choice, professional, local, regional, national which all create different incentives
- Diversifying providers in the market by changing the number and size of providers, encouraging market models such as mutuals and social enterprises, or consortium / sub-contractor arrangements
- Commoditise or personalise services around the end user
- Selecting a particular procurement mechanism – which will create different incentives, e.g. make or buy decision, grant, spot, block, framework, catalogue, auction, guaranteed volume, dynamic purchasing, category management, and instigating competition (none, at a single point in time, constant competition)
- Aggregation or disaggregation of markets and client segmentation
- Regulation, taxation and subsidies are all used for market management

- Performance management and outcomes based contracts can create particular incentives
- Something as simple as collecting and sharing information about needs and the market can galvanise change
- Business support, development, and investment will change the shape and diversity of providers, create relationships and redesign the market over time
- And finally, your culture, values, relationships and influence will have a significant impact – think about how these levers can be amplified and pulled.

One of the biggest tricks with commissioning is to choose the right mechanism or lever to incentivise particular behaviours – the best examples of commissioning align the incentives for the commissioning organisation, with political incentives, incentives for the provider, and incentives for the end user. Indeed much of *Freakonomics* that we discussed in Chapter 1 is based around understanding the motivation of individuals in complex systems. But often, the mechanisms we choose can have unintended consequences, such as the way standing orders often act as a barrier to market diversification, and disproportionately increase bureaucracy and administrative costs.

An interesting area of development in commissioning mechanisms is in behaviour change. What if we could incentivise citizens to smoke less, or influence children to eat healthy food, or change societal values so that families are more robust? Are there cheaper and more sustainable ways of improving outcomes for citizens than the traditional model of doing services to people? How do we start looking for them?

A commissioning example using the Family Information Service –

Ask anyone in children's services and they will tell you that the Family Information Service (FIS) is there to provide information to parents about the services available in the local area. A phone-line, website and database are set up to provide parents with the information. However, if we take a step back and go through the commissioning cycle then we can find unexpected and more efficient solutions.

1. **Understand** – What is the outcome we want to achieve? The outcome is not to provide information; the outcome is that parents understand what services are available and access those services they need to meet their outcomes.
2. **Plan** – Let's sit down with parents in a children's centre and ask them how they understood what services are available to access (note the essential co-production element of the commissioning cycle). Surprisingly, very few parents will say it was the phone-line, website or database. Parents learn what services are available and how to access them by speaking to other parents, family and friends.

3. **Do** – So, what's this telling us about the most efficient, effective and sustainable service that we can put in place? Is it the phone-line, website and database, or is there another model that can help parents to learn from each other such as training parent-volunteers, or putting on coffee-mornings for the community, etc? Could we find a new package of mechanisms to achieve the outcome more cheaply?
4. **Review** – In fact some local areas that are starting to do this now as a cheaper solution, but only after 10 years of doing services *to* parents, rather than *with* them.

Commissioning design

Commissioning is now seen as the primary way to unlock these areas of efficiency, and in a mature model, commissioning encompasses the emerging approaches to government efficiency that we discussed earlier. So your next questions might be: What does this look like? How do I put the right structures, teams and environment in place?

Despite the plethora of models that come with any emerging profession, there are several dominant themes which can be categorised by examining capacity of organisations to commission, the capability of teams and individuals, and the culture that is dominant in the organisation. The right blend of capacity, capability and culture will be fundamental to creating a commissioning organisation, identifying and securing the emerging approaches to efficiency.

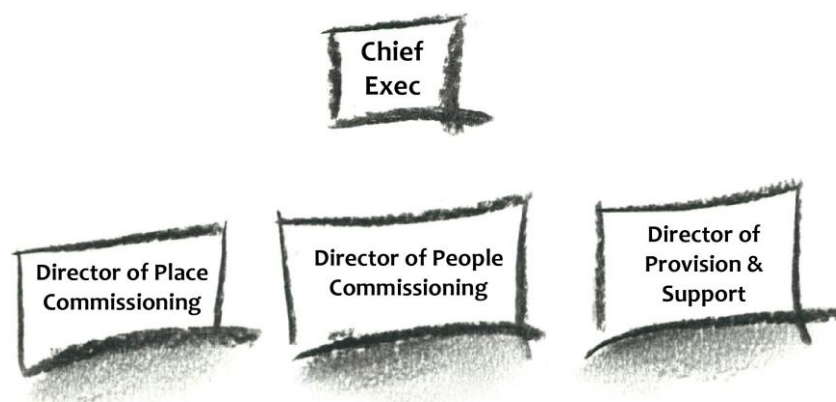
Capacity – Commissioning is an investment model – you invest in understanding citizens' needs, in the decision making process and in quality assurance because that will ensure the resources on the front-line are used more efficiently. As of yet, there is no equation to show the most effective investment ratio (i.e. size of team *vs* spend). Our commissioning team will have to include the range of functions required for the commissioning cycle – or links to other teams that undertake some of these functions (for example, procurement, data analysis, workforce development). There are some easy steps to increase capacity without increasing team size, such as putting in place longer contracts / service level agreements, managing services as a portfolio, devolving commissioning decisions, staggering investment so that decisions are made throughout the year rather than on 1st April. Commissioning teams that are constantly reactive and fire-fighting are symptomatic of a lack of capacity (or perhaps an organisational culture that values activity rather than reflection).

Capability – Commissioning is the confluence of commercial skills, entrepreneurial thinking, system architecture, change management and leadership – this is a big job and it's becoming clear that there is no such thing as a superman or wonder-woman commissioner with the full set of capabilities required. Commissioning is too big a profession to be undertaken by one person – we are talking about a mix of skills, experience and types of thinking in the team. This is the primary reason why a distributed commissioning model (where commissioners are also providers, such as heads of service) may not be the optimal model. And this is why commissioner-provider splits are being introduced across the country. Of course, the skills and knowledge held by internal and external providers and users are essential in all parts of the commissioning process – so we need to build that in as well.

Culture – It has been apparent through examples in justice, health and children's services that commissioning development is often held back by old structures and a reluctance to shift what is perceived as power / resources to commissioners. Of course, this was never a power shift as the money doesn't belong to officers, it is looked after by officers for their citizens and communities. These are the types of culture changes that are required for commissioning to fly. Other essential culture changes include valuing entrepreneurial thinking and innovation, ability to try things out and manage risk (*vs* risk-aversion), a learning environment, real outcomes focus, systems thinking, facilitative leadership (*vs* command-and-control), etc. This is probably the hardest part of implementing a mature commissioning model in local government.

It is perhaps the silver lining of the economy that we now have a fluid environment where these types of change can be implemented much more quickly than in a steady-state system. Grab this once in a lifetime opportunity to put in place the capacity, capability and culture of effective commissioning.

New structures – Whilst every local authority is developing different structures and models of commissioning there are emerging themes that can be picked out from across the country. Many are splitting commissioning and provision, either at a service manager level or for whole directorates. And in smaller authorities there is a tendency to reorganise under a Director of People and a Director of Place, accepting that there are some services and population outcomes that might be attributed to either directorate.



*Diagram of the emerging structure in a typical local authority with: **Director of Place Commissioning** (integrated commissioning of environment and infrastructure); **Director of People Commissioning** (integrated commissioning of community, public health, adult, children's); **Director of Provision and Support** (one or several roles covering all local authority internal services and support functions).*

Direction of travel – passing observations about the future:

- Shared services are also becoming more prevalent and are creating more positive political relationships; paving the way for shared commissioning arrangements with neighbouring local areas, and integrated commissioning between local partners such as health, social care, housing and justice. Given the complexity of the system, we might expect increasing integration of commissioning functions between agencies for the more costly services.
- Commissioning is moving towards a portfolio management model where a commissioner will have a basket of different service areas or outcomes they are responsible for. In this model the commissioning cycle for each service area is staggered, often over a three year period so that the commissioner has sufficient time to redesign services. Coupled to this is matrix management to pull in the best expertise such as market management, procurement, data analysis etc to specific points on the commissioning cycle.
- The split between commissioner and provider remains an area of contention. Some models such as in the NHS have a wide separation and can make it difficult to draw on provider expertise to redesign services. Other models such as where a service manager is both a provider and a commissioner can lead to the *Turkey voting for Christmas* scenario where there is potentially a conflict of interest in deciding which market is best to deliver a service. The Gestalt model of change suggests the best position to effect change is on the edge of the system (neither inside nor outside) – in conclusion we can expect models to iterate towards a commissioner-provider split but with strong interaction and relationships between the two.

Chapter 3: Dynamic change management

This third chapter is really the most important – it's relatively easy to come up with the new models, theory and fancy designs, much harder to make them a reality and deliver the benefits. In fact, experience in business suggests that 70% of change programmes fail to realise the benefits – which sounds horrifying in our current economic situation.

Effective change management is crucial if you want a mature commissioning organisation, if you want to implement Outcomes & Efficiency. However, there are two critical challenges we come across in current change management practice:

- First we tend to treat change management as an after-thought when it should be the first-thought. In any large change programme the model and resources for change management should be in place before a new service design is considered, not least because a good design process can also be used to secure the change.
- Second we know that the outcomes, services and environment we are changing are complex and ever shifting, adaptive and learning. We therefore need more sophisticated tools for public service systems, that we can term *dynamic change management*.

Whilst dynamic change management is far from established in the public sector, we take the opportunity in chapter three to explore a few tools and techniques that can be used now.

Change agents – Change agents exhibit similar attributes to entrepreneurs (and good commissioners). They are the local leaders of the system, and tend to innovate and deliver impressive changes with little resource. Sometimes these individuals are constrained by the system and can be seen as mavericks or loose cannons; although there are recent examples of CEOs in business nurturing and directly supporting their change agents to ensure the success of critical programmes.

Dynamic change jigsaw

Analysis of local government change programmes suggests a small number of common failure modes, and therefore we can derive the key building blocks (or jigsaw pieces) of successful change programmes in complex systems. If you are running a local transformation programme, then you should specifically address all of these pieces as a distinct workstream (don't leave it to chance).

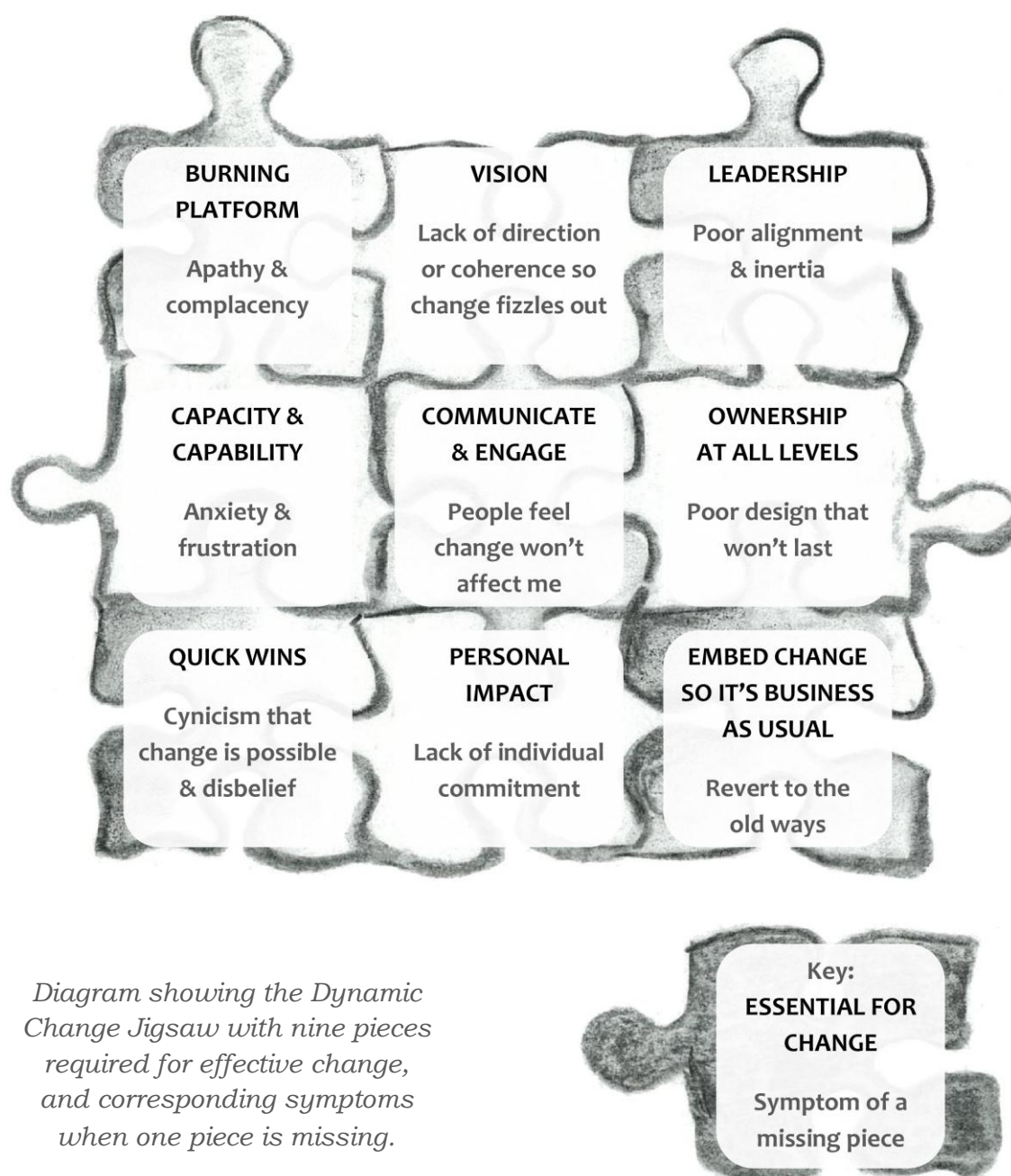


Diagram showing the Dynamic Change Jigsaw with nine pieces required for effective change, and corresponding symptoms when one piece is missing.

Burning platform – What is the compelling reason to change? This term is derived from the oil industry meaning: *change or die*. Staff and partners must believe that they can't go on without urgent change. People will often go to extraordinary lengths if they believe in the change, for example motivating through inspection results, or the promise of a better citizen outcomes or experience. The burning platform must be unifying across a wide range of stakeholders. Outcomes & Efficiency will only work if everyone is motivated to work together and find better service designs to improve citizens' outcomes. Don't assume that because you feel the burn, that others do too.

Vision – The vision is even more important in dynamic or complex systems. Sometimes a vision is the only way of setting a route map for the many different agencies, services, staff, communities and citizens where more command-and-control methods will fail. Effective change needs a clear and simple vision for the future state that aligns across all stakeholders including national and local partners. The vision should be wide enough that it will not change significantly in the dynamic system. Without a clear vision there will be confusion, poor planning and people will not be able to pull together to effect change. Visualise the impact of change on daily behaviour and make it personal: How will it feel for each stakeholder? What are the benefits? Sell your dream for change.

Leadership – As we've discussed it is essential to have strong, visible, adaptable, joint leadership to incentivise support. Leadership cannot be centralised in a complex system, so change plans must identify, coach and feed leaders at all levels who model the new behaviours – including partner agencies, frontline, community and political leaders. Identify change agents across the system who will innovate and drive the change you seek. Distributed leadership and management of the change will also lead to quicker learning about what works and a more adaptive system. Without effective leadership there is often little alignment between programme strands or services, slow progress, wasted effort and too much inertia.

Capacity and capability – Without time, finance and the skills to effect change the programme will falter, leading to frustrated, demotivated and stressed staff and partners who will be wary of future initiatives. Change programmes need to be practically planned and activities prioritised within available resources. The good news is that the larger the system and network of services, the more resource there is to draw on, including community assets and partner agencies, although unlocking these resources will need to be well planned. Capacity can also be increased by prototyping service models in parallel

at a small scale, and ensuring that the prototypes that don't work fail quickly to free up resource.

Communicate and engage – There is a rule that to effect change we should communicate *ten* times more than is felt necessary. Systems thinking will not develop overnight; this will not be a Damascene conversion. We should use different channels, keep repeating the same simple message, but make it interesting and relevant. There will be many channels of communication that cannot be directly controlled in a complex system such as gossip, networks and social media – nonetheless these are helpful and can be fed as part of a planned programme. Always seek regular feedback from practitioners, partners, families, citizens and others. Be seen to act on feedback.

Ownership at all levels – Ownership by staff, partners, the community and citizens is essential to find innovative or efficient ways of designing the new system. Disseminated ownership is key to riding the dynamic shifting and moving in a system, learning quickly and embedding change. Identify and work closely with enthusiastic change agents who can drive improvements at all levels.

Quick wins – Often change programmes get bogged down by over-planning and little action. Successful change programmes will find quick and visible deliverables to make change real to staff and communities. Quick wins bring buy-in and communicate the new ways of working, you can also use quick wins to destabilise the status-quo and reduce inertia to changing the system.

Personal impact – As we know from systems thinking and Nudge people don't make the right decisions, so a change programme that is based on rational arguments is only part of the answer. Change will affect people emotionally and may scare them. Ultimately, the system is the staff, managers, politicians, citizens and their interactions – so personal impact and how people communicate this is critical to change. We should try to understand individuals' personal fears and goals, find out what motivates them and show how they can make a difference. Techniques such as social norms and priming may also be helpful to appeal to subconscious decision making.

Embed change so it's business as usual – Too often we think we have implemented a change programme and stop, only to find people returning to their old ways of working. Stick your finger in a blamange and then pull it out – the pudding will return to its old state. How are we planning to turn the changes into business as usual? This is one of the biggest challenges with initiative based models of change, politicians move onto new things and regimes change, we cannot afford to let up. Don't let up.

Change Curve

The Dynamic Change Jigsaw is good for planning a large or small programme, or alternatively diagnosing why change is not happening and which pieces are missing. In your head, try running through a change programme that you are involved in (or subjected to) and to what extent all the pieces are in place.

There are also other tools that we've found particularly applicable to dynamic change management and implementation of Outcomes & Efficiency. In particular, the popular Elizabeth Kubler-Ross *Change Curve* that was originally developed as a model for bereavement in the 1960s. In contrast to the strategic models, the Change Curve is excellent for understanding how individuals go through change and the emotions that staff and citizens experience on a personal level.

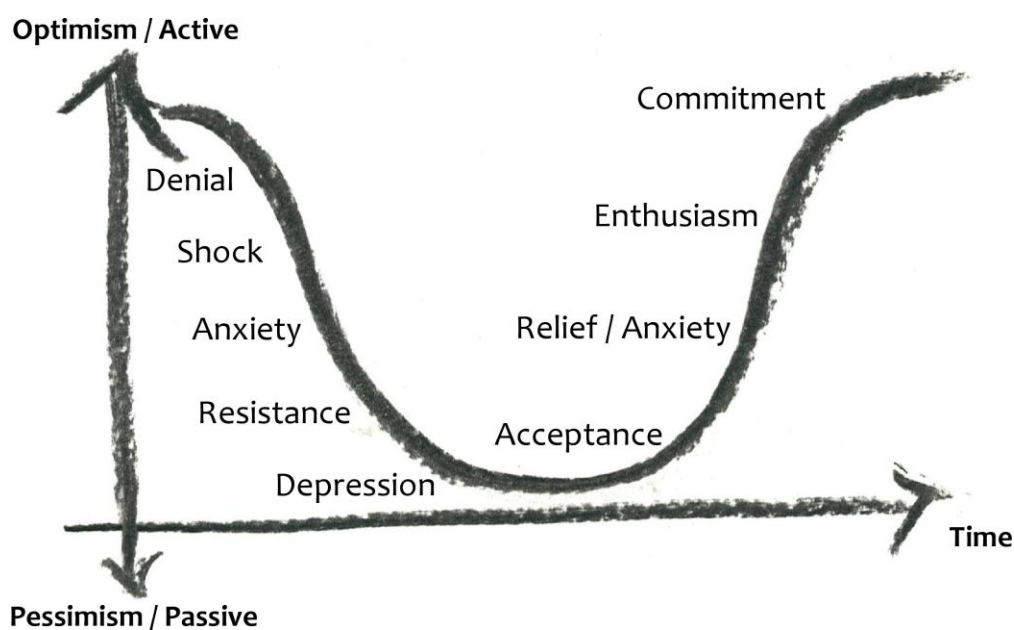


Diagram showing the Kubler-Ross change curve and how people feel at different stages of the change process.

The change curve is reproduced here to emphasise the importance of emotion in any change programme. It is too easy to focus on activity and actions and forget the personal impact and grief / anger / fear that staff and citizens go through when we substantially change services. There are a few lessons that we have learnt through successful commissioning and Outcomes & Efficiency programmes:

Address emotions as much as actions – Put as much planning effort into understanding and supporting staff emotionally as we do into the actions and activities. We know that systems are made up of people and their interactions – it's so easy to forget this once the pressure is on.

Give space for emotions – It takes time to go through the change curve and accept and commit to the changes. Build this time into programme plans and socialise staff and citizens to the change early on in the process.

Five monkeys – The fabled sixties experiment on five monkeys (commonly attributed to Harry Harlow) has an uncertain provenance but is nonetheless worth restating as an anecdote of culture change.

Five monkeys are put in a cage with bananas placed at the top of a ladder. Naturally the monkeys spot the bananas and attempt to climb the ladder to eat the fruit. At this point the 'scientist' sprays all of the monkeys with cold water; the monkeys run down the ladder and miss out on the bananas. After a few attempts and repeatedly being sprayed with cold water, the monkeys will decide it is not possible to eat the bananas. Now the scientist turns off the cold water, and yet the monkeys will never try to climb the ladder again.

Good story so far, but this is the point where it gets interesting. Replace one of the monkeys with a new monkey. Naturally he sees the bananas and starts to climb the ladder to eat the fruit. At this point all of the other monkeys (remembering the cold water) will to the surprise and horror of the new monkey, attack him. After a few beatings, the new monkey will never try to climb the ladder again.

Now replace another monkey – the same process is repeated and after a few beatings the new monkey will never try to climb the ladder again.

Eventually we can replace all five original monkeys with new monkeys. Each time a new monkey arrives they spot the bananas and try to climb the ladder, only to realise with surprise and horror that they are attacked and beaten. None of the monkeys in the cage has ever been sprayed with cold water, none of the monkeys knows why they are beating up the new entrant, and yet that is the culture in the monkey cage...

Manage staff through the change curve – There are ways of helping and managing staff through the change curve. As we learnt earlier, people need a burning platform for change, so fanning the flames on this burning platform is often necessary (in some cases CEOs in business have been known to fake poor results just to motivate staff). But it is also necessary to help staff through the positive slope of the

change curve – give them a vision of better services and outcomes. No one will be motivated by cuts to their services – but they can be motivated by a sense of camaraderie and a belief that citizens' lives will be better.

Motivating staff – A county council has benchmarked their performance against the outcomes that other countries are able to achieve. This world-class standard is used in their vision to show staff how much better their services and citizens' lives can be. This positive model of motivation has been used in their Outcomes & Efficiency programme to accelerate staff through the change curve.

In the real world we have found that staff and managers go through the change curve at different times and different rates, and probably several times. Despite these complications, we have found the model a helpful basis for Outcomes & Efficiency change programmes. The overarching aim is that staff and citizens have been managed through the change curve and are positive about the transformation by the point that we are ready to implement.

In designing the change programme before the end solution, and involving staff, managers, politicians and communities in the change, motivation is intrinsically built onto the Outcomes & Efficiency model.

Practical techniques for changing organisational cultures

1. Encourage innovative and entrepreneurial thinking – for example through outcome based contracts, developing risk management, *break the rules* or *good ideas* suggestion boxes, involving citizens in macro and micro service design, developing co-production delivery models, nurturing change agents in the organisation
2. Separate the description of outcomes from the measurement of outcomes (or proxy indicators) in all papers, discussion, contract management, etc so that everyone is clear about what you want to achieve and to reduce incentives for gaming
3. Motivate staff by the outcomes you want to achieve, not by targets – for example by changing performance management procedures, creating a compelling vision, ensuring that staff actions are clearly linked to citizen experience
4. Ensure everyone understands commissioning language and thinking by building it into routine training for new entrants and providers
5. Exemplify the new culture by rewarding local good practice and communicating national models – there are lots of stories and examples that can help to bring the new thinking to life
6. Plan the new culture and manage the transition – too often organisational culture is not managed and tends to fall to the lowest common denominator.

Chapter 4: Practical implementation

So far we've set out the three chapters that underpin a successful Outcomes & Efficiency model: systems thinking, a commissioning function and workforce to design the systems, and dynamic change management to deliver the benefits and new culture. Chapter four is about pulling the systems, commissioning and change into a practical example to show how radical transformation can be delivered now through this new model for local government.

Top ten tips for transformation – in the real world it will be difficult to apply systems thinking immediately (for example, because of the overarching command-and-control culture of national government). But the following top ten tips can be used now for local transformation:

1. Salami-slicing will cut value from your services more than waste
2. System change has a long lead-time – start now
3. Work from the start with citizens, professionals and partners – make sure the problem, development and solution are shared
4. Build your joint commissioning unit or other central commissioning function with the right blend of skills and thinking
5. Systems thinking will be a culture change for staff and communities
6. Lead, engage and demonstrate the new model
7. Empower professionals, partners, citizens – nurture your change agents wherever they are – they must own the solution
8. Look at what you can influence, not what you control
9. Seek out pragmatic and entrepreneurial solutions – nurture innovation and learn from others
10. Design around the end user – see through the citizen, family and community's eyes.

The Outcomes & Efficiency model

The Outcomes & Efficiency model is really a pragmatic way to change all local delivery very quickly (for instance in less than 12 months) to realise efficiency savings in the region of 25% to 50% for some service areas. The following diagram from the Commissioning Support Programme shows the key elements of the model which you will recognise from our description in previous chapters. Accelerated

Commissioning in this diagram is the process of rapid service redesign that will be described later in this chapter.

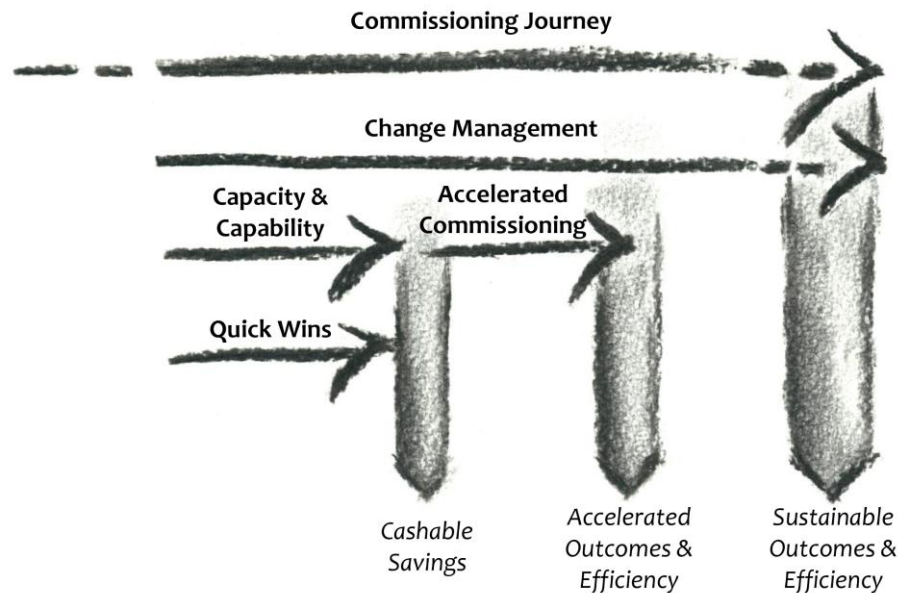


Diagram showing key components of the Outcomes & Efficiency model for transformation

Outcomes & Efficiency is based on the emerging approaches to efficiency improvement such as *community budgets / total place*, *user centric design* and *new relationships*. We use *systems thinking* as a vision for new service models, and to secure the resource to go through the redesign process quickly. We use *commissioning* to identify efficiencies and create a sustainable model for continuous improvement. And we use *dynamic change management* to ensure rapid implementation and embed the new designs in a rapidly evolving system. This is why we have laboured the previous three chapters and why they are so important for successful implementation – it is a false economy to skip any chapter of development and more time may be required to take staff through the implications and subsequent culture change.

There are a number of key elements of Outcomes & Efficiency that we'd like to discuss here – they are the more mundane and practical things that will enable staff and communities to engage in the transformation and efficiency improvement. In a local change programme these will always be specific to local circumstances, but the description below should be a helpful starting point.

Governance – As with any major change programme, strong and clear governance is essential, especially when working with partner agencies or across directorates. Sponsorship should be visible from Chief Executives and politicians. A senior level steering group with appropriate representation from across the system can be established, or built on existing governance arrangements. Such a body will be essential to decide on the end design and subsequent efficiencies, and will need to agree to the transformation programme outputs at specific gate points. The steering group should include leadership from a range of bodies, including all partners, community leaders, national and local politicians, trades unions, etc, so that all parties that might cause issues are brought into the process and own the decisions. Membership can be fluid as we learn who should be represented and who should be seen to lead the transformation. It may take some time to nurture and support individuals to contribute to the steering group – addressing the emotional interactions as well as task elements of change.

Vision – Your vision is the best way of steering a complex system and ensuring all actors are pulling in the same direction – staff, organisations, communities and families. A vision should be realistic, simple and inspire people to work together to a better future: remember to sell your dream for change. (Note that a vision does not have to be 100% accurate – but does have to feel realistic to those you are inspiring.)

Commissioning groups – To redesign the whole system quickly requires significant human resource. In modern local government we don't have enough managers and leaders to understand, map and business process re-engineer all services quickly (c.f. command-and-control) – so we must rely on local staff and community members for that purpose. The commissioning groups are small units of frontline staff and citizens with different backgrounds that are empowered to work on the redesign process. Members of the group should be knowledgeable of the service areas they are working on. And you will want to identify the more innovative staff and citizens for these groups, i.e. change agents who can lead the agenda both in the group and with their peers. An effective size might be eight to ten people, and there would be perhaps 20 to 40 such groups if tackling a redesign of all services in the local area (this is scalable should a smaller service area be in scope). Note that this design process is not about consultation and engagement with end users, but co-production, shared problem solving, and real ownership.

Co-production in Outcomes & Efficiency – There are many levels of participation and engagement – from simple tokenism and information, through consultation and up to co-production and co-design. The Outcomes & Efficiency model can be used for genuine co-design where citizens are given equal status on commissioning groups to design services, take responsibility and build robust communities. In reality we may want to ramp up our co-design and co-production as this can be a culturally challenging model for everyone involved.

Resource database – These contain a list of all of the resources in the local area in one place. For instance, all the money that partners spend on outcomes (including revenue contributed by citizens). Or all of the public buildings and community assets in the local area on one spreadsheet. Or all internal and external staff working in public services – including skills, availability, etc. The database is an excellent way of encouraging innovation by giving staff and citizens a unique perspective on the system – it has been a popular technique used in commissioning, community budgets and total place.

Needs database – Similar to the resource database, this is an easily accessible list of the needs of local communities and families, often accompanied by a database summarising consultation themes. The database should be easy to understand by frontline staff and citizens and therefore might have less detail than the joint strategic needs assessment. It may not be necessary to conduct new consultations as these take a long time and often the information is already available.

Pathway analysis – Again, this is a way of encouraging a new perspective on the system to generate innovative and more cost effective solutions. Pathway analysis should be from the perspective of the end user, and combine several services together to show the overlaps, gaps and flow from one service to another. Again, these are provided to members of commissioning groups to help staff and citizens to innovate.

Commissioning principles – These are an important part of systems thinking alongside the vision. Commissioning principles show the way you expect the system to work and where to look for efficiencies. Rather than being just an initiative, the *think family* model would be a good *principle* for redesign of the whole system. Other principles might include understanding our communities and families better, co-production, closing the gap, targeting early intervention resource, delegation to the lowest level, reduce bureaucracy and waste, etc. The principles will direct those involved with the transformation and set the environment for an efficient and effective system.

Next practice – Next practice is a term coined by the Innovation Unit to go beyond our obsession with *best practice* in the public sector. The model of adopting best practice makes several assumptions: first that the practice can be picked up from one area and applied to another; and second that we can't do better than best practice. Next practice is about looking to the horizon to see what will be the next innovative radical practice. It's about leaders looking beyond the accepted evidence base, amplifying the weak signals, and nurturing and prototyping new designs. Perhaps a little too often we only look to the past, to benchmarking and longitudinal research, to textbook policy models, with the unintended consequence of constrained thinking and limited aspiration.

Commissioning questions – This is a really important set of challenges or hypotheses about how particular aspects of the system or services can be radically different. Without challenging the system it will remain stagnant and will only get incrementally more efficient; to create a real transformation we have to push staff and citizens out of their comfort zone, destabilise and inspire / challenge them to come up with radical new designs. Therefore the commissioning questions are essential challenges to those in commissioning groups to *think the unthinkable*. For instance: Can we rationalise capital for libraries, leisure centres, schools, job centre plus and early years? Can we change relationships to reduce an entitlement culture? Can we spin-off particular services or commissioning to the community? Etc.

Commissioning groups are charged to answer these questions using the resource and needs database information. The process for answering these questions is simple: i) feasibility study, ii) return on investment or cost / benefit analysis, and iii) implementation planning. A typical redesign of all local services might be based on 500 commissioning questions that are answered by the commissioning groups – you will want to encourage groups to pose additional questions (although they should not be allowed to ignore any uncomfortable questions).

It is suggested that weaker plans are put on hold or stopped at various points during the design phase to reduce the resource requirements – for instance by the steering group at gateway decision points.

Commissioning strategies – This is where it starts to get exciting as we can see all the work coming together. The combination of a clear vision and principles for redesign, alongside return on investment and implementation plans, forms a set of commissioning strategies. The commissioning strategies will not describe the *whole* new system, but will describe enough of the changes to give a clear steer to partners, staff and citizens and ensure that the key elements of system change

are carefully managed in the implementation phase. The commissioning strategies will detail the higher risk implementations, whilst also moulding the environment to enable partners, staff and citizens to redesign smaller aspects of the system.

Programme management in a dynamic environment – Much of what we are taught about programme management focuses on the command-and-control, the metrics, structures and process. Thankfully programme managers in the real world are a little better adapted to complex and dynamic environments, and we can expect this to continue evolving. For instance, programme resource is likely to be distributed across multiple agencies and service areas, change is likely to be much more about intangible influence, people interactions, culture and leadership, and outcomes will be increasingly difficult to fix and capture. A transformation on the scale of Outcomes & Efficiency requires coordination through a Programme Management Office function to pull all the strands together. Robust programme management in the public sector is likely to require networks of resources that adapt to learning and the changing environment, more sophisticated risk management (not risk aversion) to balance intangible options, empowered leadership and devolved responsibility to change agents, dynamic change management, and a greater focus on the communications and linkages between disparate workstreams to make sense of the system.

Making it work

You'll see from the above list of tools that some are designed to destabilise the status-quo, empower, inform, inspire and others are about constraint and control. In the practical world we need a little yin yang, left brain right brain. The vision, resource databases and pathway analysis all give a radically different view of the system for staff and users; the commissioning principles, commissioning questions and the process of writing strategies will channel and structure those views and radical innovation.

Creating a balance between the forces of empowerment and constraint will help to generate the right environment for radical redesign of the system. You may notice parallels with the balance between command-and-control leadership and systems thinking – a practical approach to the transition from one leadership model to the next.

The vision and principles show how the system will operate, knowledge about the resources and needs in the system give a very different perspective on problems and solutions, and the pathways and

melting pot of members in the commissioning teams help to generate innovative solutions. The governance, commissioning questions and process are about constraining and controlling the Outcomes & Efficiency programme so that the end result is a much more efficient design that is suitable for the local area. As we know from systems thinking – it's easy for government to focus on constraint to the detriment of empowerment – getting the yin yang balance right will be an on-going struggle.

10 step plan to implement Outcomes & Efficiency

1. Scope the programme management and plan the change
2. Set up governance and commissioning groups
3. Create your vision for a better system to motivate, then engage and inspire citizens and staff so they own and design changes
4. Build capacity and capability of commissioning groups
5. Develop your understanding of resources (money, workforce, buildings), needs and consultation
6. Set out a user pathway from -9 months to 99 years in your area
7. Design commissioning questions that will transform services, that can be developed into commissioning strategies through the commissioning groups
8. Create cost-benefit analysis and implementation plans
9. Identify efficiencies only after the system has been redesigned
10. Implement and embed the new design.

The trick we have found with the model described above, is to apply a systems approach to the redesign process. Rather than a linear model of redesign that would traditionally map services, re-engineer processes, tell staff what they should be doing (and then wonder why it doesn't work), we want to enable the system to redesign itself. This means there is no need to map services (because we involve staff and citizens who understand services), there is no need to re-engineer everything (because staff will do this themselves through self-learning), and there is no need to force the system to change at the end (because the change agents involved will already have taken their colleagues and communities through the change curve). A systems approach may initially feel longer to implement than a command-and-control model, but actually achieving the benefits (outcomes and efficiency) will be much quicker.

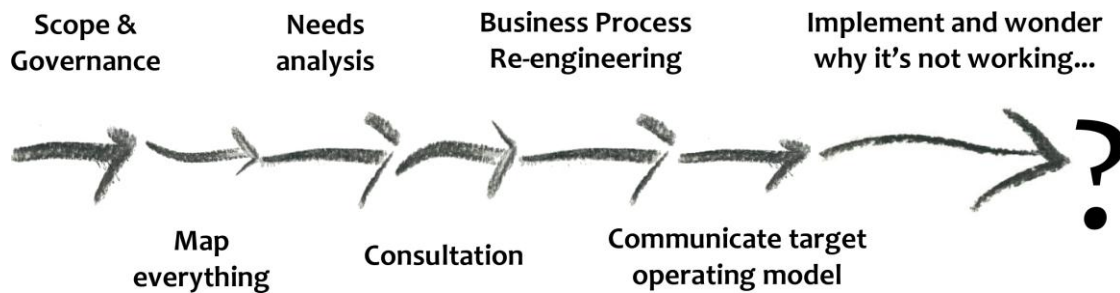


Diagram showing the traditional linear model of transformation in a local area. Transformation based on systems thinking will do many of these steps in parallel and won't take 5 years.

Are you on the edge of your seat? By the point where we are ready to implement the new designs – all staff and many members of the community will be aware of the changes, will understand the overarching vision and principles for the system, will have emotionally moved through the change curve, and will be ready to get on and implement the new services. Because we used the system to generate the new design, the change management was built in from the start, and most of the activities of a traditional service redesign are completed in parallel. Clever, isn't it? This is a bright future, this is the power of systems thinking.

At the point where the final designs for more efficient services are generated – we can review the plans and decide what cuts should be made. Only now will we understand the impact of cuts, and how much more efficient the radical new designs are. Staff and citizens are never motivated by cuts – only how much more effective our system can be.

Conclusion

Sounds simple when you put it in a small book – just four short chapters of development from systems thinking, to a commissioning model, to dynamic change management and practical implementation. But as you know the reality is quite different. Improving both Outcomes & Efficiency is the greatest challenge of modern government, to reform such complex systems, find radical solutions and redesign the fundamental culture and future of our country.

Addendum

For many years we've broken up the system and pulled it apart to manage it. Now is time to redress the balance and explore how all these pieces fit together, how they interact, how they are so much more than the sum of their parts.

Hold your breath and suspend your disbelief, because this addendum is a new way of thinking about the whole system. There are three main actors in our system to consider: the individual, community and state. Linking up things like brain development to the environment, scaling from individuals to families and society, interacting with services and state partners.

This simple framework will require years of research and prototyping to make it workable, useful. But addendums are all about the next practice, the *what if* questions.

- What if we could understand the whole system?
- What if we could change it?
- What if systems thinking is the future of government?

Individual

As we've seen earlier, people are complex and often irrational – a product of DNA but also a product of the environment they experience. Because it's difficult to measure and change the impact of the environment most public services are designed as a short intervention on overt behaviours.

What do we mean by environment? – The environment is the interaction between the individual and everything else, for example the physical world, imagination and fantasy, their family, media, society and the vast array of services and public bodies. An individual's development can be defined as transitions in the environment: taking control of their environment or taking on a new role. Such as being born, taking first steps, being left alone, moving school, mother dying, getting promoted, choosing a first love, becoming a father.

Because the environment experienced or perceived by the individual is difficult (impossible) to understand and measure, this is sometimes an area of complexity that is neglected in service evaluations, measurement and system design. See the *Ecology of Human Development: Experiments by Nature and Design* by Bronfenbrenner for a more in-depth discussion.

More recently we've started to use system based designs to change the environment, examples include co-production, appreciative models of delivery, taking the offender out of their environment on release, or targeting anti-social behaviour in a local area to create a social norm and reduce the prevalence of more serious crime. Differences between environments also explain why we can't always pick up a successful service from one area and apply it to another – things are more complex than that reductionist way of thinking.

The importance of the environment is taken a step further in *The Spirit Level* by Wilkinson and Pickett which suggests that individuals born into a stressful environment become more aggressive, mature earlier, are less trustful and generally pre-programmed for a more threatening world. More research is required, but if this is true then our current model of early intervention through the Foundation Years and Children's Centres is too late.

And any systems model has to take into account how we make decisions – the interaction between the conscious and unconscious brain, the elephant and rider, Jekyll and Hyde. Most of our services are designed for the 40 pieces of information we process each second in our conscious brain and not the 11 million processed by our unconscious. Can we use models such as Thaler and Sunstein's *Nudge* to understand and redesign our system, to tackle wicked issues, to make it more efficient?

Community

By community we mean the individual's family and friends, support from the voluntary sector or community groups, wider influence from society, etc. There is a strong interaction between the individual and community as the primary influence on the experienced environment. For example we might take a young child out of their environment for 15 hours a week, but this represents less than 10% of that child's experience and development.

There is also a complex relationship between the community and the state – overall communities hold much more influence and resource than the state. Recent challenges are about the state unlocking that influence and resource – such as through more robust communities that fix problems before early intervention or prevention is needed, or communities promoting particular values and social norms.

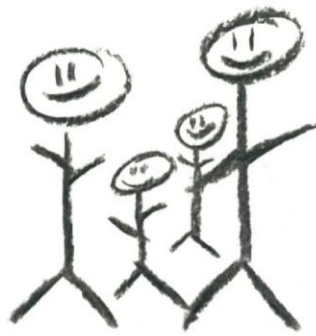
At this stage we start to move into socio engineering, and inherent risks in this approach. We are not sure whether successful interventions on an individual basis can be scaled up to a community (although research by the Cabinet Office is starting to show successful application). And we haven't bottomed-out the unintended consequences of doing so, or the moral issues of changing society or our values.

Despite the risks, it's likely that as we improve our understanding of communities we will develop our ability to engineer them, leading to radically better outcomes and efficiencies.

State

The state includes all services, other support, public resources, workforce and many local and national partner organisations – a complex web of government.

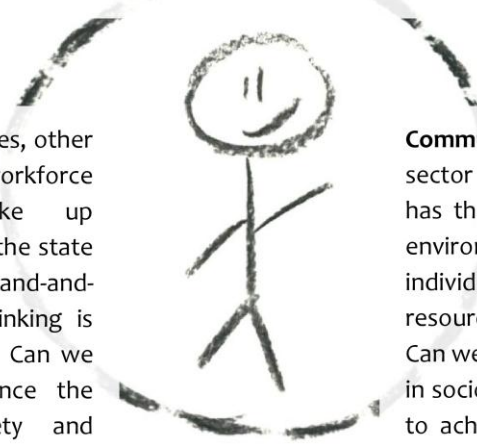
Unfortunately the complexity makes it difficult to understand the full system and therefore optimise the state, society and individual. In the past we've tried a system of hierarchical management, targets, inspection, bureaucracy and political governance. But the more we understand the complexity, the harder it is to justify these models and we've seen how failure just leads to the assumption that we need even more management, targets, inspection, bureaucracy (note the positive feedback loop). Couple this to the complexity of how people work, or how communities, families and the environment interact to create the individual, and we have a difficult task in commanding and controlling the system. This is precisely why new models of systems design, commissioning and dynamic change management are urgently needed to find future efficiencies.



Individual – A product of DNA and the environment they experience – primarily influenced by the physical world, family, media and community. Complex decision making due to unconscious and conscious control of thought process. Can we understand individuals better, and their environment, and change for the better to tackle some of our wicked issues?



State – Complex web of services, other support, public resource, workforce and partners that make up government. Organisation of the state has been based on command-and-control methods; systems thinking is the new model for redesign. Can we optimise the system, influence the environment, change society and improve outcomes for the individual?



Community – Family, voluntary sector support and wider society has the greatest influence on the environment experienced by the individual and the greatest resource to improve outcomes. Can we scale up new developments in socio engineering such as Nudge to achieve radical efficiencies and better outcomes?



Diagram showing the complex interaction between an Individual, their Community and the State.

The description of the system in these pages only scratches the surface – this really is one of the most complex challenges anywhere, and it's easy to see why we might close our eyes and retreat to old styles of management. But this would be our greatest mistake. The more we understand the system and particularly the interactions between individual, community and state – the more we can identify innovative models, cut waste, radically improve efficiency and secure better outcomes for citizens, wider society, the UK.

I'll leave you with three little *what if* questions:

- *What if we could understand the whole system?*
- *What if we could change it?*
- *What if systems thinking is the future of government?*

We might take baby steps now, but these are the footprints that run to our revolution.

Bibliography and further thinking

This book is indebted to the giants of commissioning, systems thinking, service design and cognitive thinking on whose shoulders we stand. In order of appearance, the following is a recommended starting point for those wishing to stretch their understanding of the public sector system.

Commissioning Support Programme: **Outcomes & Efficiency Comprehensive model and tools including the DfE Change Management Jigsaw, Training Modules and Guides**

www.commissioningsupport.org.uk

Ministry of Justice: **A-Z of Commissioning Online Course** Cross-government commissioning eLearning to build into staff induction

www.academyforjusticecommissioning.org.uk

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About the author



Richard Selwyn is a national expert in efficiency, commissioning and change management for local and central government. He was the Commissioning Support Programme national lead for efficiency and has worked on major government change programmes for 12 years.

In 2005 Richard led the national change programme to redesign joint planning and commissioning of all children's services. Key elements of this approach were then adopted by the major central government departments. Richard's career however started in the Ministry of Defence in 1996 working on international naval procurement projects and space engineering. He then progressed through the Department of Health and Department for Education and Skills where he was a policy lead for Children's Trusts and the national service redesign. Richard is now a consultant, originally working for PriceWaterhouseCoopers before moving to PIPC UK Ltd where he now heads up the Government and Public Sector practice.

Richard is the primary author of the HMG *Joint Planning and Commissioning Framework for Children, Young People and Maternity Services*; CSP *Good Commissioning: Principles and Practice*; MOJ *A-Z of Commissioning*; DfE *Change Management Jigsaw*; and has been published in leading sector newspapers and magazines. He is a member of the Cross Government Commissioning Capacity & Capability Group and a non-exec Director of London Early Years Foundation.

Richard also enjoys mountain biking and road cycling, street photography, and the odd revolution.

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