Rethinking Regulation:

A Manifesto

How to improve public-sector productivity and morale

John Seddon

Rethinking Regulation:
A Manifesto

How to improve public-sector productivity and morale

John Seddon

This Manifesto is available as a free download from Vanguard Consulting and Triarchy Press.

It is also available as a printed booklet from Triarchy Press: www.triarchypress.net/manifesto24

Contents

Introduction

Since the 1980s, successive governments have adopted a wide variety of approaches to boosting public-sector productivity, ranging from the New Public Management, consultancy-led service industrialisation and digital transformation at one end of the scale, to benchmarking, training, leadership, employee engagement and future planning at the other. All have ended in failure. Productivity improvement is described by politicians as a vexing conundrum.

Few people, perhaps especially those in government, would imagine that the UK's model of regulation could actually damage productivity. But that is certainly the case. The proof is twofold: there is clear evidence that adherence to regulatory requirements prevents productivity improvement from happening and just-as-clear evidence of significant productivity improvements that have been made falling foul of regulatory requirements. This manifesto employs evidence of both sorts to argue that fundamental reform of our regulatory model would have a profound positive impact on public-sector productivity. The evidence is garnered from interactions with ministers, public servants, regulators and the regulated over more than 20 years working with public-sector services. As Carl Rogers, the eminent psychologist, observed, the particular is often general. As I shared my encounters and the arguments here with public-sector audiences, I found they resonate with their experiences. There is no doubt that they would welcome a more constructive and positive experience of regulation.

What is the problem?

In February 2024 the House of Lords Industry and Regulators Committee published a report entitled *"Who watches the watchdogs? Improving the performance, independence and accountability of UK regulators"*. The report takes note of a series of 'high-profile' failures of regulation and is concerned with the increasing politicisation of regulation, the propensity for regulation to be event-driven, and also with how well the relationship between government, regulators and Parliament works in performing their regulatory tasks.

Reading the report, I was struck by the fact that the fourth party in the regulatory system – those subject to regulation – is conspicuously absent from the analysis. The omission is telling, for the effect on the regulated is crucial. This is where the rubber hits the road – the only place where regulatory effectiveness can be judged. Since the foundation of our current method of regulation is specification ('this is what you must do') and compliance ('we will inspect to see that you do it'), simply improving the way regulatory actors work together limits any analysis to how specifications are conceived. No doubt there are better ways for specifiers to work together; but it is only among the compliers that we can learn about the efficacy of regulation itself.

The value of regulation should be judged against its economic cost. While there is certainly cost associated with the work of specification, the much greater costs are to be found among the compliers, the regulated organisations that are obliged to comply with the specifiers' specifications, as I shall illustrate. Yet the Lords' report, focused as it is on the difficulties of the three groups working together, has nothing to say on this aspect, recommending instead that a superordinate regulator should be created in the guise of a "new Office for Regulatory Performance". That will certainly add to regulatory cost, while doing nothing to increase its value. It exemplifies a central feature of the current method of regulation: when regulation is seen to be failing, the automatic response is to add another layer of regulatory control.

When the UK was still in the European Union, I was invited to a series of EU-funded meetings, inspired by our Better Regulation Taskforce, convened in the hope of improving regulation. I presented a number of examples of private-sector regulations actively undermining performance (in this manifesto I will use only public-sector examples). It cut no ice, and in the absence of results the EU ceased funding the taskforce soon after. My conclusion: they were asking the wrong people what better regulation should look like. Because regulators assume they know best and their job is to

enforce conformance to their specifications, there is no space in their mental models for the damaging effects of regulation on the behaviour of the regulated. They don't see it as a question of productivity. They don't see the need for service providers to understand for themselves the issues specific to the delivery of their service, nor for them to take responsibility for choosing how to resolve these issues. They don't see that their method of regulation actively counters innovation, and with it the best hope of improving productivity.

Getting knowledge of the problem (an important bit of theory)

What I have learned in my career is that in any organisation there is a systemic relationship between purpose, measures and method. It exists in every organisation for good or ill. It is something I first observed in call centres and repairs organisations. If, for example in call centres, managers impose a requirement to meet activity targets (answering a certain number of calls per hour), meeting the target becomes the de-facto purpose for the agent even when it acts against the purpose of the service from the customer's point of view (to solve the customer's problem). That drives costs up because unsatisfied customers will have to call again. Similarly, giving home-repair operatives targets for the number of repairs to do in a day has the same damaging effect, since their focus is on meeting the job target rather than solving the customer's problem. In both cases the result is a rise in what I call failure demand – *demand caused by a failure to do something or do something right for the customer*. So, while management's dashboard may show 'green' as activity targets are met, productivity and quality of service are undermined.

Regulation provides a broader canvas for understanding the crucial relationship between purpose, measures and methods. For an understanding of real performance, measures must be related to purpose, thereby directing managers' attention to devising better methods for improving those measures and better satisfying the organisation's purpose. Now we can see why – by fixing (specifying) measures and methods –current regulation might have been designed to prevent service and productivity improvement. This Manifesto accordingly argues for a simple yet profound change. Regulators must cease specifying measures and methods and place the locus of control with people who are responsible for improvement, simultaneously improving services to the public, people's lives, and productivity.

But first I shall present the evidence from my own experiences with the dysfunctional consequences of our current method. Here are some examples.

New Labour's call centres

After the 1997 election, Prime Minister Tony Blair required all English local authorities to set up a call centre by 2005. He had bought the sales pitch that it would lower costs; a telephone transaction is cheaper than face-to-face, so moving all calls to a call centre would cut costs. It was the first step in the industrialisation of public services – building factories whose focus was on managing transaction costs.

A short time later I met a political leader who, as I expected, confirmed first that his council had created a call centre to meet the target, and second that both calls and costs had increased rather than fallen, as in the plan. 'How did I know?' he asked, assuming I had inside knowledge. Here is another theme we will see repeated: if complying with central directives fails, cover it up. You get the 'tick' when you comply. If you comply and find it doesn't work as promised you're better off not saying so, for the 'failure' could be blamed on you – after all, the centre knows best. And the tick matters.

How did I know the council leader had those problems? Because I'd seen the same thing in the private sector when call centres were introduced in the late 1980s. There were two fundamental errors: taking calls out of a service operation assuming they could be handled separately from that operation; and the corollary, not having detailed knowledge of customer demand – what the calls are about from the customer's point of view.

My 2003 book (*Freedom from Command and Control*) illustrated one case where, in the late 1980s, a bank's plan for three call centres ended up creating five, with costs that were far higher than employing more costly staff – who'd been made redundant – in the branches, from where the calls had been removed.

It is perfectly possible to move some work to the telephone, on two conditions: first, having a thorough knowledge of demand in customer terms; and second, for each major demand working out whether it can be handled to the customer's satisfaction over the phone. Only then can those calls be moved. It's not rocket science, but it ensures the call centre is effective and customers receive good service. And, by the way, costs do then fall.

I didn't only explain these things to the council leader, I spoke at many conferences, whereupon I found myself being asked by the Big Consultancies which calls can be handled well on the phone… Another knock-on feature of current regulation-making: imposition of method and measures from the centre, as here with call centres, left many organisations dependent on Big Consultancies that had little incentive to seek better solutions since they had landed lucrative contracts to move calls to call centres in line with the target.

The Audit Commission: Blair's bully

Another example comes from the Audit Commission, now defunct, which was Blair's enforcer. Its function was to ensure local authorities did as directed, at this stage by creating call centres, ostensibly in the name of public value –in fact, to reduce costs.

At one stage we did a piece of work with a housing membership organisation in a big city, with the Audit Commission as a partner in an oversight panel. If you don't know about our work (we call it the Vanguard Method), it always starts with studying the 'what and why' of current performance as a system. To comply with regulatory requirements, the housing service had moved all its calls to the city's call centre. Much of housing service is transactional (meaning it starts with demand) so we started work in the city's call centre, gathering knowledge of demand for the service. It quickly became apparent that the only thing the call centre did with the calls was to pass them on to the housing service, a service that added nothing of value for which it was charging £250,000 a year. This was clearly a waste of public money. But the Audit Commission took no action.

The same problem is ubiquitous today, this time in relation to "digital" services. The promise (again) is lower transaction costs, but moving transactions *en masse* to digital platforms without first getting knowledge about what can be serviced digitally and what can't, leads to higher costs and worse service. But you get a tick in the box (and funding).

From call centres to back offices

The next 'innovation' on the Audit Commission's enforcement agenda was the back office, another step on the way to service industrialisation. The back office was an idea from the US that aimed to make call centres more 'efficient'. In brief, it proposed that once the call centre had ascertained what the customer wanted, he or she would be 'decoupled' from the service (i.e. the agent would close the call) and the resulting paperwork codified and passed to a back office where it could be processed without 'interference' from customers. Agents in both front and back offices could now be sweated, the factories optimised, and costs brought under control.

Sir Peter Gershon, Tony Blair's adviser on public-sector reform, was an enthusiast for back offices. At a meeting in Westminster, he argued for a single national back-office mega-factory to handle all benefits claims, something I maintained that would drive costs up. Since back offices work to rules and procedures while front offices work with what is presented by the citizen, which is rarely complete, the division leads to partial information being sent to back offices, causing duplication, lost documentation, re-work and failure demand. Further, back offices are usually

specialised and standardised (further ruses to reduce costs), creating yet more activity and greater opportunities for error.

By contrast, I presented our work with the UK's largest insurer, which had as many as nine front and back offices here and in India. By studying their system, leaders were shocked to learn that due to the front office / back office split, no less than 70% of all calls were failure demand. They had assumed that if every agent acted according to standard times, protocols, activity targets, service levels and so on – all ways of managing activity and, therefore, costs – costs would fall and all would be fine. It wasn't. Challenged by their findings, the leaders redesigned the service with their new-found knowledge of customer demand and achieved a remarkable improvement in customer service with fewer than half the previous number of agents, all now employed in the UK. And no back office.

As usual, however, evidence that regulators don't know best, indeed that their specifications of method hold back service and productivity improvement, are dismissed. Gershon's response to my contribution was a loud tut-tut.

And then came Mark Radford

It was my first experience in local authority services. Mark Radford was responsible for benefits delivery at Swale Borough Council in Sittingbourne. He called me to say that he'd complied with the Audit Commission's requirement to create a back office only to see a backlog build up, which he was now being advised by the Audit Commission to send to a private-sector 'backlog buster'. "They are telling me my problem is in the back office," he said, "but I've been reading your book and realised my problem is in the front office".

He was correct. Swale was then rated one the least efficient benefits processors in the country. By ignoring the regulator and taking responsibility for its own methods and measures, it was transformed to rank among the best in a matter of months. As a footnote, Radford rose to become the council chief executive.

The day I met Bundred

Shortly after helping Swale, I spoke in London to a public-sector audience, with my main example being the transformation of Swale's benefits service. As I was preparing for the event, the organiser excitedly informed me that Steve Bundred, chief executive of the Audit Commission, was in the room. I was pleased to hear it.

I took the audience through what you learn when you study benefits as a system, how the front office / back office division creates its own work (failure demand), how that consumes capacity and creates poor-quality service; then on to using knowledge of demand to create a face-to-face transaction with the purpose of creating create clean, accurate input, which in turn leads to fast processing, increased capacity and great service. No back office, no factory-activity-cost measures; instead actual measures of performance against purpose in citizen terms, which are used to understand and improve the service. And costs – a lagging measure (a consequence of performance, not a measure that can be used to understand or improve work) – fell remarkably.

At the close I found myself surrounded by people who wanted to talk. Bundred left, assiduously avoiding eye contact. I met him again that year at a roundtable in Westminster. When the deliberations were done I spoke to him. "You are the chief executive of the Audit Commission" – he confirmed – "so you are a public servant" – he confirmed again – "then if someone shows you evidence of your edicts failing to work well and also shows you how better performance can be achieved by other means, don't you think you should take an interest?" His reply: "I just don't agree with you, John". I didn't ask him to agree with me. It won't surprise you to know that I lobbied for the demise of the Audit Commission on the grounds that it was blocking rather than furthering better performance.

Backlog busting?

At this time the Audit Commission was pressurising local authorities (as with Swale) to outsource back-office backlogs to private-sector 'backlog busters'. One such buster had seen our work in a local authority where it had taken over benefits processing, so it saw first-hand the results that could be achieved. It caught the attention of the chief executive, who asked to meet me. As I waited outside his office, I noticed teams of backlog busters, working for different local authorities, each with their team-name, local authority name and activity statistics. The meeting started with the chief executive enthusing over the results of our work and suggesting taking our ideas to other local authorities. I said I'd be happy to help and proposed he should start by offering his clients a solution that would not only transform their benefits services but would also obviate their need for backlog busting. His reaction? "That's not very commercial, John".

Shared services: the next step in industrialisation

As Bob Neil, a Conservative MP, put it during a fringe event at a party conference: "Clearly it is obvious; if we have, say, six services, all of which have HR, finance and other support functions, then performing them in one place – sharing services – would be cheaper than each having their own". I offered to explain to him why the opposite was true, how creating such factories would create more work and increase costs. He didn't take up the offer. Later, Francis Maude MP issued a government press release saying: "There is absolutely no need for departments and arm's-length bodies to have their own back-office functions, and duplicate efforts, when they can be delivered more efficiently by sharing services and expertise. Plus it will save the taxpayer half a billion pounds a year."

The private sector had been persuaded by the Big Consultancies to adopt shared services, yet again for cost-saving reasons – but, by and large, the benefits failed to materialise. Service units experienced a rise in back-office work volumes, leading to backlogs. The Big Consultancies responded by proposing the creation of what they called "middle-offices" whose purpose was to prioritise and progress-chase work through the back office. You couldn't make it up. The private-sector clients we helped were perfectly content to row back from the error, responding to the rudder of profit. I'll return to what we did in a moment.

While I was writing about such issues in public-sector magazines, I was asked to speak at conferences full of public-sector people who wanted to know what shared services were and what they had to do to comply. To that end they were there to hear from the experts – the civil servants from Westminster – who were blazing the trail.

I (again) explained the problems created by front-office / back-office designs and the further problems that occur in shared services, in particular how differences in support services can jeopardise the ambition to reduce costs. For example, there may be good reasons for differing policies for pay, purchasing and finance between the participant organisations. Forcing these into a one-size-fits-all central service imports another level of problems, accompanied by a shed-load more failure demand.

I also described how to go about sharing services in order to maximise benefits and minimise problems. The first step is to study all services *in situ*, in their host organisation. This gives clarity about any differences and, moreover, provides the opportunity for step two: improving the services where they are. This gives you knowledge about which activities are similar and can be fulfilled by a centralised service and which should be left where they are. Note that the greatest financial payoff *always* comes from step two, improving the service in situ. The lesser benefit in step three is a reduction in management resource, a one-off saving. The civil servants understood my arguments, but were unable to alter the already-established programme to build the necessary IT systems and drive all activity into a standardised one-size-fits-all shared service according to the plan. It was assumed that financial benefits would follow. They didn't and they haven't, as reports by the National Audit Office (NAO) attest. In one highly critical report, the NAO found that instead of the promised savings, Maude's 'shared services' initiative had suffered costs way higher than planned. Confidence in the entire project "is now low", the NAO found, with further costs in the offing.

After studying demand in one of the flagship shared-services ventures, a mole in the Cabinet Office took the result – very high levels of failure demand – to the top civil servant responsible. The contracts were based on payment for transaction volumes, so if the services were better (and failure demand eliminated), contract costs would clearly fall significantly. The response was to suggest that this issue could be reviewed when the contracts were up for renewal – yet another obfuscatory attempt to blur the possibility that the centrally-mandated solution could be wrong.

Economies of scale are a myth

Call centres, back-offices and shared services are attractive to specifiers because of their ingrained belief in economies of scale: build factories, focus on activity management, treat activity as cost, sweat the labour. But, as we have seen, focusing on transaction costs drives up transaction volumes (failure demand), thereby *increasing* the cost of services. Economies can only be realised through improving flow, starting at the other end, with knowledge of what matters to customers and delivering that and only that. But although the benefits of scale are increasingly queried in the outside world, it remains an obsession for specifiers, who by imposing the associated methods leave the regulated with no latitude for experiment or innovation in promising improvement initiatives.

From macro to micro

Specifiers are also guilty of mandating the micro-measurement of services – the activities that need to be recorded, the measures (targets) to be employed and much more besides: documentation is grist to the inspector's mill. Leaving aside the usual misery associated with activity management, front-line workers in many services experience with greater immediacy the impact of regulations that dominate their day-to-day work. While few doubt the need for regulation as such, many have doubts about the focus and methods employed, complaining of the time eaten up and the doubtful validity of the assessments. They are also angry at strict regulations that leave them little opportunity to do what they perceive to be the right or better thing.

Perhaps the most important public service in which to illustrate this is social care. Politicians lament that demand for care services is rising and debate how to meet the growing cost. But the reality is that regulation plays a dominant role in sub-optimising the delivery of social care. With better regulation we could have far better care at far less cost.

Regulating social care

You'd hope that if your life fell off the rails and you sought help from your local authority, someone would be there to help. But no. Following call-centre conversations and / or form-filling, you may be visited by a number of people, repeatedly subjected to the same "assessment" questions, referred on to others and finally offered a service that doesn't meet your needs.

In response to failures in the care system, the government under New Labour introduced standardised assessment processes with associated targets for completion. So the job of a social worker became to fill forms at the rate required to meet activity targets. In this industrial process-focused enterprise, managers work on reports of processes like prioritisation and screening, achievement of target times for assessments, monitoring the contents of care packages and care-worker caseloads, and more – all needing to be in order for when the inspector calls. Ticks in boxes for meeting target times, closing cases, referring elsewhere or providing a care package – this is the treacle that impedes effectiveness and puts a break on productivity in social care.

All of this will look 'in order' to an inspector, since these are assumed to be the important controls in care services. However, studying these systems reveals that much of what is provided doesn't help. The first signal is very high levels of failure demand. People return, frequently to be treated as a 'new case'. The experience is repeated: help that doesn't help. Provision is governed by budgets and frequently standardised, so the system fails to match the variety of citizens' needs. But the regulatory

system drives people to worry about themselves rather than their charges – doing as the system requires, even when you have a different idea, is 'safe'. Regulation creates professional and institutional fear and anxiety that discourages deeper engagement. The focus on efficiency undermines effectiveness, demoralising care workers who are unable to provide the care that they know people need.

While inspectors value order, the reality of effective care provision is complicated. People's experiences and needs differ. Providing effective care frequently requires a relationship that can work constructively through uncertainty. Meeting people's needs shouldn't be constrained by targets, budgets and packages.

Many care services have now learned what an effective service entails. In brief: Everyone who puts up their hand is visited (no forms), and the focus is on what matters in their terms. What emerges is a course of action involving a range of actors, unconstrained by conventional structures, specialisms or measures. (I describe this in more detail in *Beyond Command and Control.*) The outcome is better care at lower cost, greater capacity as failure demand is switched off, and falling demand. Note that the fall in demand is replicated across all NHS services, reducing overall costs by as much as 75%! How do the regulator's inspectors react, you may ask? According to those inspected, some are "sensible" enough to recognise what is clearly beneficial, but even they struggle to fit what they see into tick-box reports. More are labelled hard to persuade. Some are described as incapable of doing the job. Inspectors have their protocols; that's what they do.

Politicians (and voters) need to understand that contrary to the usual narrative, demand for social care isn't rising: counting only original demands, it is stable. The volume of transactions *is* rising, but that is due to high volumes of failure demand. In addition, much money goes into wasted care provision. The opportunity to provide better care at lower costs is huge, if fostered by constructive, knowledgeable regulation.

Regulators don't do evidence

Along with local authority clients, we twice took the positive result of a service redesign to the relevant regulator, once in children's services, the second in food safety. We demonstrated first how adherence to current regulations was driving poor service and high costs, i.e. it was working against the purpose of the service; and second, how the redesign and, in particular, a better choice of measures and method, had been used to make dramatic improvements in both cost and service quality. The reaction? Both regulators told the authorities that to continue operating to their new design, they needed to sign a declaration that they would be responsible if anything went wrong since they were operating outside regulatory requirements. Further comment seems unnecessary.

The problem of validity

The shocking revelations of failure at Mid-Staffordshire hospital, rated as 'four-star' by the regulator, came to light only because of local people campaigning. The problems were not, and are not, exclusive to Mid-Staffs. Failures of care in the cases of Peter Connelly and Victoria Climbié, in a children's service again rated as "four-star", likewise prompted no reflection on the part of the regulator on its own role in the tragedies. Instead, the upshot was a raft of new policies on "safeguarding" (the service is failing, add more regulation). At no point was there any consideration that the failings might indicate an issue with the requirements of regulation. While the later Francis report on Mid-Staffs did acknowledge that NHS management was focused on achieving Trust status rather than patients, regulation did not feature as a primary concern.

In our early work in care services, we were struck to find that they all exhibited the same dysfunction, whatever their star rating. The designs were identical and results similar, but the tick-box assessments were very different, evidently leaving plenty of room for subjectivity (assessment of leadership is a good example).

Back in the 2000s, Portsmouth Council's housing service was the first in the UK to develop a repairs service that offered tenants repairs on the day and time that suited them. What's more, it saved £8m in the first year. Better service always costs less, something else that regulators can't conceive. The leader was Owen Buckwell. Buckwell's service already had a high rating before the transformation, but he had nagging doubts because knew from interactions with tenants that it still left much to be desired. He sought our help. His success in housing resulted in him being given responsibility for more citizen-facing services.

But the Audit Commission had a different assessment. Buckwell was "marked down" by the regulator for not engaging in benchmarking. Why would a service that was so far ahead of others go benchmarking? Why would anyone do that when everything a leader needs to know about improvement is there in their system? They just need to learn how to see it, as Buckwell did. Many now believe benchmarking was a fad and a route to mediocrity, as all end up as much the same.

Regulators can only see performance in terms of their specifications, leaving them unaware of potential defects, blind spots or trade-offs. Yet if two regulators, acting independently, inspect the same service, they will usually reach varying assessments, sometimes greatly so. So much of the specification governing assessment leaves room for interpretation and subjective judgement. So, in the eyes of the regulated, it depends on who you get as an inspector.

The growth of specifications

In the 20 or more years I was involved with public-sector services the volume of specifications mushroomed, perhaps an inevitability for organisations whose purpose is to specify. Go to any regulator's website and you will be astonished at the amount of content. It reads – to me at least – like a brainstorm of things we think people running the services ought to do and can be monitored and reported and/or assessed. All of it is plausible, framed in terms that are hard to disagree with, on the assumption that they are valid, effective, important, necessary, relevant and proportionate means of control. But what if the assumption is wrong?

Take, for example, the requirement on all social landlords to conduct a tenant satisfaction survey concocted by the regulator. It reads like an ordinary satisfaction survey, asking tenants to rate their experiences of transactions and other aspects of their tenancy. All seemingly sensible. Yet less so in the light of the result. Answers from this kind of survey elicit three kinds of responses from managers. 1. Act – do something to 'improve' the ratings. This is dangerous when you know nothing about either the cause or, more importantly, whether the problem is predictable or not. Acting on the unpredictable as though it is predictable makes the service more complex and difficult to manage. 2. Shout at people. 3. Investigate the cause(s). Which is, of course, the right answer. I should add a fourth, surprisingly often used: Cheat; use your ingenuity to ensure you get the results you want.

What if a social landlord devised a measure of tenant satisfaction that yielded instant knowledge of the issue(s) that mattered to tenants that could be immediately acted on. They would be able to demonstrate how using that measure helped them understand and improve the things that matter to tenants. But they would fail inspection. The tick matters.

The growth of parasites

The growth in specifications has led to the growth of organisations that feed on the fear created by the regime. For a handsome fee you can buy guidelines, checklists, protocols, sample policies and procedures for things like training, recruitment, complaint management, health and safety – all sold as 'ready-to-use' with advice on how to avoid 'omissions' (things inspectors want to see) in order to avoid 'inspection failure'. Schools get coaching for the dreaded inspector's visit and breathe a sigh of relief every Wednesday when they know for certain it can't be *this* week. University departments conduct 'mock' research quality assessments ahead of the real thing that are always costly, and sometimes destructive and divisive.

Reputation governs all

What matters most to public-sector leaders is reputation, and reputation depends on good marks from the regulator. One of our first pieces of work in adult social care clearly demonstrated better care, lower costs, increased capacity and greater job satisfaction among care providers – something to be proud of. However, on being notified of imminent inspection the chief executive of the council involved ordered managers to reinstate the old service design, since that was what the regulator expected, and, as a 'four-star' council, much hung on its care service's rating. One may consider his reaction immoral – he had seen the beneficial effect on care recipients. Or one may consider it as evidence of the power of compliance.

The shocking treatment of NHS whistle-blowers is well known. Whistle-blowers are vilified, their careers destroyed. What matters to NHS leaders is reputation and, again, this is governed by adherence to specifications ("a safe pair of hands"). Bad news has to be buried, along with its purveyors. In every study we have helped conduct in the NHS we find that a small proportion of the population is consuming a disproportionate amount of the system's capacity – a clear sign that they are not getting the help they need, that outcomes are less than optimal and the service is not fulfilling its purpose. But what's important to leaders, as well as regulators, is conformance with specifications – wait times, adherence to protocols, pathways, budgets for each specialisation and much more besides. For both, whistle-blowers are an unwelcome and inconvenient distraction.

We were approached by a Plymouth clinical neurologist who'd read about our work. We helped him (*pro bono*, over the phone) study and redesign a stroke service. At the start, the cost per patient was £6,000, falling to £3,000 post-redesign, which also provided a better-quality service. The doctor moved on, and the stroke service returned to business-as-before as leaders focused on achieving Trust status. It is worth noting that the stroke-care tariff was £4,000 per patient – an arbitrary figure. It would be better, from the point of view of getting knowledge and improving the service, to know the actual cost. It is also worth noting that we have seen evidence of hospitals prioritising patients on the basis of tariff value rather than medical need.

A focus on reputation deflects leaders' attention from the operational performance of their organisation. Both parties – specifiers and conformers – agree to assume that compliance with the specifications is a valid measure of operational performance. The tick matters, it determines one's career.

Politics and narrative

One of the tributaries feeding ministerial policy is the host of clever people generating ideas for what to do to fulfil their minister's pronouncements. When, for example, those pronouncements are based on a belief in economies of scale, dissenting beliefs are filtered out by the hierarchy. When ministers believe that record-keeping of targeted activity and cost is evidence of control, evidence to the contrary doesn't get to their desk. Dissenting narratives are excluded.

At a think-tank meeting in London, I put it to Jeremy Hunt MP, then health secretary, that the specialisation, associated fragmentation and lack of continuity for patients was the greatest problem with the NHS, to which the only solution was to redesign the system based on knowledge of demand in patient terms. He agreed with my analysis but not my conclusion – he maintained that continuity could be provided by information technology. Never, in my experience, has that been achievable in any service, whether in private or public sectors.

Portsmouth's innovation in housing services led to a visit from Grant Shapps MP, at that time minister for housing. The visit was timely and Shapps took up the argument for getting rid of foolish regulation, no doubt contributing to the demise of the Audit Commission. But he was soon moved to another role and his attention to the problems of regulation ceased. Buckwell's view was that Shapps found it difficult to persuade colleagues that regulation was a problem, since politicians believe that regulation achieves accountability. It doesn't.

Blair believed people needed 'choice' in public services. When someone in his regime discovered "choice-based lettings" in the Netherlands, it was swiftly adopted and forced on UK housing

associations (a show that that policy was increasing choice). In essence, the Dutch model was to advertise available properties and decide on the basis of applicants' eligibility, and this was superimposed on the UK system of waiting lists. In practice, the 'priority' criterion led to many people ending up in dwellings unsuited to their needs, while 'choice' gave unwarranted hope to many others who shouldn't have been on a waiting list for social housing in the first place. Many housing organisations gave up choice-based lettings. The regulator expressed disquiet in the media so I wrote to explain why the problems occurred. I pointed out that what mattered to citizens was finding out whether and, if so, when, they would be housed, which is what the Dutch model achieved. It can also be achieved by knowing the predictability of housing becoming available (yes, it is predictable) and assessing eligibility on the first meeting with a prospective tenant. In that case there is no need for a waiting list beyond those who will be housed. Response came there none.

One of the innovations to come out of the Portsmouth housing repairs service is software that enables materials to be bought at the rate of demand – a simple idea that drives costs out of any system that consumes materials. Politicians believe materials should be bought on the basis of cost, through centralising purchasing power. This is folly, filling warehouses with deteriorating materials and sub-units raided for parts, that just gather dust. Buying at the rate of demand can bump up unit cost, but the total cost of holding materials falls dramatically, the availability of supplies as needed increases dramatically, and the cost of the whole system, whatever it does, falls. But that doesn't fit the political narrative.

Politicians learning to see

Nichola Sturgeon, then first minister in Scotland, and Mark Drakeford, then minister for care services in Wales, had something in common. They went out to meet people who provide care services and listened to their description of a regulatory environment that was cumbersome and largely irrelevant to their work. They both decided to act. Sturgeon sought cross-party support. It took two years. Then she passed the work to the Scottish policy-making machine, whose output led care-service leaders to think they'd need more resources and a lot of training. To date nothing has happened. Drakeford, by contrast, made an immediate change to the policy. Instead of standardised, cumbersome form-filling, the only requirement was to understand what matters to the person who has sought help.

Unfortunately, this is not to say that Welsh regulation and inspection have progressed beyond that important change.

Summary: Dynamics of a dysfunctional system

Our current method of regulation consists of specification and conformance. One side (the regulator) specifies and the other side (the regulated) attempts to conform. Both parties assume the specifications are based in real knowledge. But, in truth, they are a mixture of management theories, opinion and plausibility. The growth in regulation is reflected only in the growth of specifications, since that's what regulators do.

Conformance is what builds reputation, regardless of how well the service provider meets the needs of citizens or customers. Conformance means "performance against the specification", not getting the real job done. Leaders are therefore motivated to bury bad news. Specification and conformance creates a culture of fear.

Regulatory judgements are based on compliance with specifications, not on service improvement. Much of the judgement is based on opinion and subjective criteria, undermining trust in the assessment and destroying morale. By contrast, people at the coal- face – providing care or repairing properties – need to exercise judgement, but know they are at risk if they do so. The perverse consequence is that there is no incentive for the actors in the system – regulators, civil servants, the regulated – to respond rationally to evidence or knowledge.

MANIFESTO: A better method of regulation

In every organisation there is a systemic relationship between purpose, measures and method. The system works for you or against you.

The problem with the UK's system of regulation has been that politicians and regulators specify measures and methods. This is diametrically wrong, killing the experiment and innovation on which improvement depends. Politicians and regulators should not be involved with management and delivery. Instead, to them should fall the important and necessary role of establishing the purpose of the service (a purpose defined in terms of the citizen or the customer). Isn't that, after all, what every MP should be most concerned about?

This simple change will shift the locus of control from the specifiers to those who are being regulated. The leaders of our public services will then be responsible for making their own decisions about how they will achieve the purpose laid down by Parliament: that is, the methods and measures. Indeed, they will be obliged (as they should be) to make these decisions, For some this will be a big challenge.

This, in turn, will change the nature of inspection. Rather than inspecting against centrally specified checklists and protocols, the inspector will ask about the choice of measures and methods in use. The inspector will then go on to observe their effect on the ground, where services are delivered.

Seeing the methods and measures in action will provide real transparency. No longer will ingenious actors be able to cheat the system. The measures in use – how are we doing in terms of achieving our purpose? – will be used to inform and improve service quality and to give a true picture of performance to regulators and citizens.

Changing the locus of control from the regulator to the regulated will provide much-needed opportunities for innovation. New and better solutions can only emerge when service leaders are free to make choices about methods and how they measure their effectiveness. Leaders should be free to 'pull' help from the many available sources. No longer will the regulator mandate what it believes to be right. Of course, inspectors will learn a lot about what is working, but they should only signpost useful innovation for others to consider.

Inspection judgements will be based on knowledge and objective criteria. Improvement will be palpable, as will failure to improve. Learning from each other, both parties will contribute to a growing fund of well-founded knowledge about what works and what doesn't.

Changing the locus of control drives out fear, which is the blight of our current method. Its cousin, demoralisation, is felt by every public servant who knows that they are being prevented from doing what matters by burdensome and unnecessary documentation, which can now be limited to that which is useful in meeting the purpose of a service.

Regulation based on how well an organisation achieves the purpose it has been set will avoid the persistent problem of regulation running behind events, shutting the stable door after another horse has bolted. Having a clear statement of purpose will enable regulators to apply sanctions immediately if and when an organisation is found to be undermining its allotted purpose.

It is time to liberate public servants from the prison of suspicion and distrust that our current method of regulation locks them in, demeaning their professionalism and casting them as part of the problem rather than as active creators of solutions.

To the contrary, our proposed model of regulation assumes that people are motivated by pride in their work, that they are vocational – they want to serve – and that they are eager and able to use their ingenuity and initiative to serve that purpose. Their behaviour is a product of the system; it is only by changing the regulatory regime that we can expect a change in behaviour.

I want to hear from you!

If you agree with the arguments here, please share the Manifesto with people in public services and politicians. If you see shortcomings or have doubts, please write to me. Equally, if you have examples of adherence to regulations impeding performance and / or morale, please send them. This change can only be achieved by politicians; they need to recognise not only the benefits in terms of productivity but also the impact on morale.

If you'd like to know more about the way of thinking set out in this pamphlet, please visit the Vanguard website – www.beyondcommandandcontrol.com – or read my book *Systems Thinking in the Public Sector*.

<div align="right">

John Seddon
john@vanguardconsult.co.uk

</div>

About John Seddon

John Seddon is a British occupational psychologist and author, specialising in change in the service industry. He is the managing director of Vanguard, a consultancy company he formed in 1985 and the inventor of 'The Vanguard Method'. Vanguard currently operates in eleven countries. He has received numerous academic awards for his contribution to management science, including four visiting professorships.

John Seddon's prominence grew following his attacks on current British management thinking including the belief in economies of scale, quality standards and much of public sector reform including 'deliverology', the use of targets, inspection and centralised control of local services.

He has published seven books, including *Systems Thinking in the Public Sector* and won the first Management Innovation Prize for 'Reinventing Leadership'.

john@vanguardconsult.co.uk

John Seddon's *Systems Thinking in the Public Sector*

To find out more about the thinking behind this Manifesto, see John Seddon's definitive account of the failure of the 'reform regime' to address the problems faced by the public sector – *Systems Thinking in the Public Sector*.
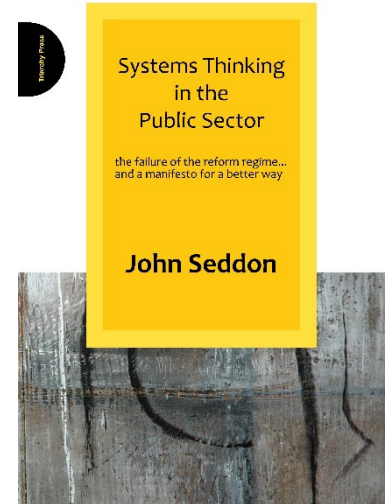
"This book should be compulsory reading for all leading politicians and senior executives in public service. John Seddon's extensive knowledge and practical experience of waste in the public sector is expressed in powerful terms." *Tony Owen, Councillor, London Borough of Bromley*

"John Seddon's approach is refreshing and a compelling alternative to the routine mantras we regularly receive through official sources. More importantly, it works." *Andrew Pate, Director of Resources and Support Services, Bath and North East Somerset*

"Challenging and thought-provoking. An essential read for managers seeking to place people who receive services at the centre of improvement work. But be prepared to set aside existing conventions and practices and to test the ideas presented against actual experience." *Margaret Geary, Director for Health, Housing and Social Care, Portsmouth City Council*

"A wake-up call for people who want to make a real difference…puts flesh on the notion of Public Value…." *Ron Hilton, Chief Executive, Staffordshire County Council*

"Few books... come to define a new era. I can only hope that this passionate, yet informed, critique on the limitations of public sector management becomes one of them." *Duncan Kerr, Chief Executive, South Kesteven District Council*

"Irrespective of whether you're concerned about the quality of public services that you're responsible for, take John's challenge, go look at your service through new eyes. I guarantee that what you find will shock you, but at least you'll finally know. It's a compelling place to start." *Philip Dart, Head of Public Protection Services, Buckinghamshire County Council*

"…uncomfortable, challenging and very direct. It offers huge learning and insight." *David McQuade, Deputy Chief Executive, Flagship Housing Group*

"John Seddon has an impressive grasp of the complexities of Local Authority services. This book sees through the confusing fog and provides insights on how to structure and deliver services in a simple and effective way." *Gillian Brown, Leader, Arun District Council*

"Seven years with the Housing Corporation taught me there was something systemically wrong with housing regulation. This book brings those shortcomings into embarrassingly sharp relief but, thankfully, provides a way for an urgently needed transformation." *Yvonne Hutchinson, Managing Director, Community Chameleon*

"An essential read for all senior managers in the public sector… highlights the enormous amount of waste produced by the current orthodoxy on the management of the public sector, and with great clarity proposes an alternative that actually works." *Tim Blanch, CEO, Swansea Housing Association*

"Anyone reading this book is forced to question our obsession in the public sector with target chasing. The examples we are taken through speak for themselves and clearly highlight where we are going wrong." *Ged Bowles, Assistant Director for Improvement Services, West Midlands Improvement and Efficiency Partnership*

"... it is evident that the whole edifice of public service delivery is rotten from top to bottom and needs a fundamental redesign." *Philip Johnston, The Daily Telegraph*

Read more at: **www.triarchypress.net/stips** or **www.beyondcommandandcontrol.com**

This manifesto is also available in print from Triarchy Press: **www.triarchypress.net/manifesto24**