

Department of the Future:

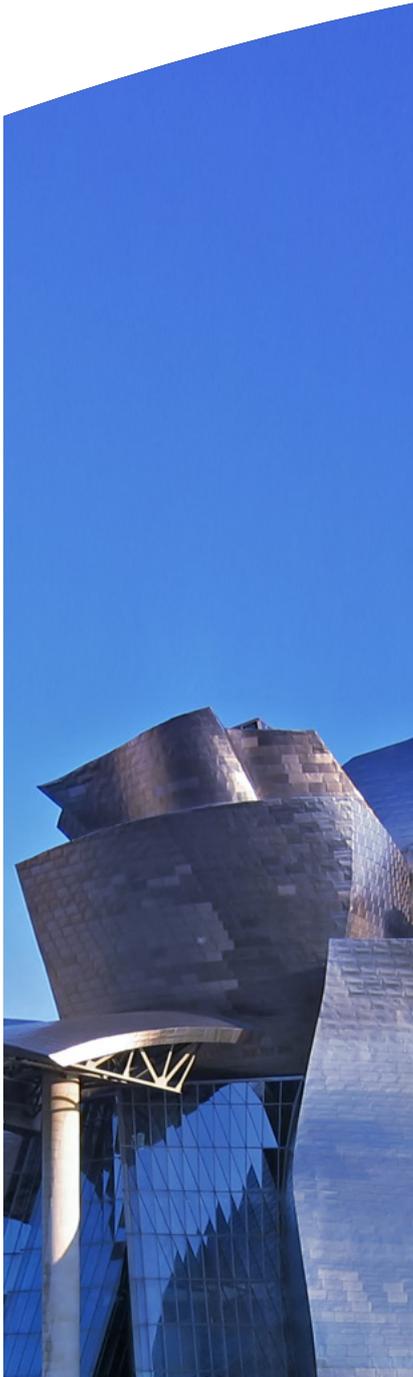
transforming public services and reducing cost.



Introduction

Capgemini has developed a structured approach and practical framework to help government departments transform themselves so as to provide a better quality of service at lower cost. It comprises:

- A model of public service delivery identifying the six levers that government can pull to improve policy and customer outcomes
- Leading practice insight and challenge
- Options for the design of a department and its delivery system (or cross government delivery systems)
- A view on the future capabilities that the civil service will require
- A view on where to start



A twin challenge

The UK is likely to face major financial constraints over the next two parliaments. Public spending will need to be cut and taxes raised to address a structural deficit of more than six percentage points of GDP¹. Government departments therefore need to “do more with less”, particularly as spending constraints will coincide with increasing demand for public services. In choosing how to cut public spending, government can either “salami slice” (which is likely to harm public services and civil service morale) or it can look for new ways to re-design fundamentally how services are delivered and outcomes achieved.

Most government insiders are already aware of the major changes that will be needed in the future. The problem in today’s environment is how to achieve them while continuing to meet day-to-day requirements, with limited capital investment. However, the private sector is already used to funding transformation from “business as usual”, and as a result has achieved much higher levels of productivity improvement than the public sector over the last 10 years. If the public sector could equal the UK private sector’s pre-recession productivity growth of around 2.3%, it could add around £7bn to the UK economy each year, equating to 0.5% Gross Domestic Product growth². Though productivity improvement on this scale may seem very challenging, a fresh look at government reveals tremendous possibilities.

Making the transformation manageable: the Department of the Future

Capgemini launched a research programme in 2008 to explore the challenges facing the public services and how the civil service will need to adapt to meet them. From this research, and drawing on earlier government work³, we have developed our perspective on the “Department of the Future”.

This perspective offers a framework incorporating techniques that are succeeding in commerce and industry, as well as in government around the world. It will help government departments to transform themselves in a structured, manageable and cost-effective way.

The name “Department of the Future” reflects the fact that action can be initiated within an individual department. However, the impact of the action reaches beyond the boundaries of any one department, to citizens, government as a whole, and the delivery system that connects Whitehall with the front line.

Rather than working within functional silos, our approach encourages departments to adopt the citizen’s perspective. The Department of the Future approach facilitates change in areas like setting objectives that cut across departmental boundaries, improving leadership models and governance structures, and creating a more participatory policy development process. It fosters a climate of continuous improvement and the sharing of best

¹ Institute for Fiscal Studies interpretation of estimates in the 2009 Budget <http://www.ifs.org.uk/projects/304>, the figure of 6.4% of GDP is the estimated fiscal contraction needed between now and 2017-18 to correct the structural deficit

² Office of National Statistics, compound annual growth rate of output per worker from 1996 to 2006

³ See for example “Excellence and fairness: achieving world class public services” and other outputs available at http://www.cabinetoffice.gov.uk/strategy/publications/excellence_and_fairness.aspx

practice, whilst also opening up the potential to rethink the scope and role of government. The resultant changes often address both short-term and long-term requirements simultaneously.

Components and levers in the Department of the Future framework

The role of government is to define the required policy outcomes, and then to make sure those outcomes are delivered. Our framework describes the six major components of the delivery landscape: citizens; services and enforcement activities; frontline services; system design and

management; policy making and strategy; and the public (where the public may have a different perspective from individual citizens). Each component is represented in the diagram below as a cylinder.

Our research has identified six levers which government can pull to improve the delivery of outcomes; in the diagram, these are itemised in the boxes. By thinking initially in terms of just these six levers, we can more easily start to analyse, and find solutions to, complex delivery problems. The framework therefore provides a basis for rapidly identifying priorities for change and then creating implementation strategies.

Applying the Department of the Future approach

We recently helped to design an approach to alleviating worklessness among women living in a London borough. This project encompassed diverse services including welfare to work, child care, skills development, alcohol and drug support and mental health.

In this project, three of the Department of the Future levers have been particularly important in driving change: **engaging citizens** to obtain insight, using that insight to design **tailored services**, and **reshaping delivery**.

Within the borough, we engaged with a representative sample of workless women to understand their needs and the barriers they faced. Our analysis identified eight segments with very different needs. Looking at this problem from the citizen's viewpoint told us, among other things, that although many high-quality services are being provided, this landscape is complex for citizens to understand and navigate in terms of what is available and who is eligible.

The solution developed by the joint team will change the nature of the relationship between citizen and government, enabling the women to take more control. It will join up at the point of delivery, putting in place improved "outreach" to make contact with the hard-to-reach, and a new "coach" function to guide the women through a complex landscape and tailor a package of services to suit their individual needs. The council is shaping the requirement and managing the system, while third party providers are leading delivery.

Components and levers in the Department of the Future framework



Exploring proven methods for doing more with less

Although the next two parliaments look very challenging, they also offer a once-in-a-generation opportunity to implement radically different ways of delivering public services.

The Department of the Future framework tackles both challenge and opportunity head-on, by allowing fundamental re-design of the way that services are delivered and outcomes achieved. It makes such a re-design feasible in a world of public spending constraints, avoiding the alternative of “salami slicing”.

Department of the Future is not a “one size fits all” approach. Each department and its respective delivery system will need to combine the levers differently. The body of this report discusses which lever should be pulled when, and how. To illustrate how a given lever can be used most effectively, we have drawn on leading-practice examples from across the world in both the public and private sectors. We start with the issue of when it is important to engage citizens, and how this can best be done.

Lever one: engaging citizens



Citizens’ own actions often play a vital role in realising policy objectives, whether they are the recipients of a service or otherwise targeted by policy. For instance, education policy is successful if children learn, public health policy depends on people improving their lifestyles, and criminal justice policy works if potential criminals don’t commit crimes.

The first of our six levers is about engaging citizens, by which we mean getting them to act in a way that promotes policy objectives at the same time as their own. Engaging citizens as active partners to deliver objectives can not only increase effectiveness but also reduce the cost of services. In the example of public health, engaging citizens in their own care can vastly reduce future healthcare costs.

Engaging citizens requires a detailed understanding of citizens’ behaviour and needs. Taking the time to acquire such an understanding often reveals relatively easy and inexpensive ways to achieve objectives, as we shall see below.

The example of the “workless women” project mentioned in the introduction is clearly one where success could ultimately only be realised through citizens’ own actions: the women would not find jobs unless they made appropriate efforts themselves. It was only by gathering extensive information from the women that the right solutions were identified. Understanding their needs

in detail – such as their requirement for “soft” skills as well as conventional training – was vital to enabling them to get themselves back to work.

In tackling this kind of problem, it can be helpful to learn from private sector organisations that have successfully engaged their customers, sometimes against the odds. Let’s consider Amazon, an organisation that also had to overcome some resistance in engaging its customers, in this case because, as an online retailer, it lacked the relationship-building opportunities associated with high-street shopping.

We have identified three Amazon strategies that are particularly relevant to government: using citizen/customer insight to shape services, building engagement through participation, and keeping promises to establish trust. In the rest of this section we shall discuss each of these in turn.

Using citizen/customer insight to shape services

Gathering information about the citizen or customer is a prerequisite for giving them the service that they want or need. One way in which Amazon achieves insight is through its “Culture of Metrics”. It automatically collects information about customers’ activity on its website, analyses it and then uses the resultant intelligence to improve the site. For example, if people usually navigate from a product description to corresponding user reviews, then putting the reviews on the same page as the description could reduce the number of steps needed to reach a purchasing decision. Relatively simple changes like this can vastly improve the usability of a website, and increase the chances of a sale.

Government can apply these techniques to improving its own websites, but the

principle is a more general one: if you understand and measure how people are responding to a policy intervention, you can make that intervention much more effective. For example, experience shows that jobseekers often stop attending training sessions. It might be supposed that they are reluctant, but in our project on worklessness, closer investigation revealed that mothers had trouble attending because the sessions clashed with their childcare responsibilities. Scheduling the sessions at a more convenient time was a low-cost and effective solution.

Building engagement through participation

As well as collecting metrics, Amazon gathers insight, both for its own use and for that of the customer community, by encouraging users to contribute ratings and reviews. This user-contributed content builds engagement both through the act of collaboration and through the usefulness of the resultant content.

Governments, too, can use participation to deepen the relationship between service provider and citizen. The online environment provides the opportunity to create sites which allow users to contribute content which is of use to other users: for example, a suitably-managed job-seekers' site could allow citizens to inform one another about the usefulness of the services that they have received, and encourage each other to try them, as well as providing feedback to the service providers.

The participatory approach is not limited to web sites: in the context of the jobseekers' project discussed above, the team canvassed the opinion of the participants about what would and wouldn't help them. Often, as in this instance, the same initiative can

simultaneously gather insight and encourage participation, since people like the feeling that they are being consulted.

Keeping promises to establish trust

The final aspect of Amazon's success story that we want to consider is its ability to make clear fulfilment promises and then deliver on them. Reliability of the information given to customers and effective fulfilment are as important to Amazon's success as an effective website. Once again, Amazon engineered into its systems the ability to gather detailed data, making it possible to monitor how well it was meeting its commitments, and take corrective action where necessary.

If government is to build a collaborative relationship with citizens, it too needs to be as effective at delivery as possible, and to give out clear and accurate information. For example, the government should be able to make a clear and accurate promise about how long it will take for an applicant to receive an official document such as a tax disc or a passport. By doing this it can both increase citizen satisfaction and lower costs by reducing the number of unnecessary enquires from anxious citizens who have not received their documents.

Overcoming obstacles to engagement

Using customer insight, participation, and keeping promises: much of this sounds like common sense. Why, then, is government not already doing it to a greater extent?

One answer is that getting a clear view of customer need is not easy and requires an active pursuit of insights into citizen needs and behaviour. However, technology has now made it much easier to collect information from citizens (as well as to give information to them at the relevant time).

A more profound obstacle is historical and structural. Despite the talk of "joined-up" and "citizen-centric" government, in practice the public sector tends to provide services on the basis of how the institution providing the service is operationally organised, rather than that of what the citizen needs. For example, from the perspective of a young mother trying to get back into work, the separation between the help provided by her borough council and the Department for Work and Pensions (DWP) makes little sense.

Ultimately, the only way to engage citizens effectively is to start with the person whose life we want to affect, and strive to understand how their wants, needs and behaviour can help us achieve policy goals. The next lever, tailored services, is about doing just that.

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Key lessons:

- Citizen insight should be used to shape services
- Participation in shaping the service can be used to build engagement
- Making and keeping clear promises establishes trust

Service Canada

The Service Canada initiative presents public services to the citizen in an integrated way, no matter what jurisdiction or central government silo is responsible for delivering a given service. It is tailored to seven major client segments. For example, when a parent with a young child signs on to the service's website they see not only a list of relevant services, but a list of relevant life events – such as “having a baby” – which links to a description of how, and in what sequence, to interact with the relevant services.

Service Canada operates a full range of contact channels including web, telephone and face-to-face. It aims to allow the citizen to select the most appropriate channel, while integrating services across these channels.

Lever two: tailored services



The previous section discussed the challenge of starting with the citizen, and allowing their needs, wants and behaviours to shape the services that the Department of the Future delivers. In doing so it is important to recognise that citizens are not a homogenous mass, but have a variety of needs.

Once again, the public sector can learn from Amazon, which engages customers by presenting each one with a product set that is appropriate to their interests. If government can tailor services to citizens' needs and wants in an analogous way, it stands to gain not only citizen engagement, but also efficiency and efficacy.

In the example of the project on workless women in London mentioned in the introduction, a crucial part of the solution was to segment this group into eight sub-groups. Each of these groups had its own needs which would only be successfully addressed through tailoring the existing services to that group. For example, women with children under five and a high level of education clearly had different challenges to low-skilled women with children already at school.

Tailored presentation

Tailoring does not have to mean major alterations to services themselves. Improving the way the services are presented to, and accessed by, the citizen, can make a tremendous difference to citizens' experience, creating a joined-up effect despite the continued existence of silos behind the scenes.

At present, citizens' interactions with government are too often shaped by government's internal structure. Citizens who have lost their jobs, for example, are often expected to navigate a bewildering range of government bodies to find out about – and apply for – benefits, re-training and so forth. This experience causes frustration and reduces the chances that the citizen will successfully access all the relevant services, particularly if they cannot choose the contact channel that best suits their needs.

It is possible to overcome this problem to a great extent simply by improving the interface between government and citizen, as Service Canada demonstrates.

Service Canada, it should be noted, is much more than a “portal” consolidating government services into a single website – it is a comprehensive reworking of the way government services are presented to citizens. It does involve web technology, but only insofar as that is the channel chosen by a given citizen in a given context, and even then presentation is tailored to the citizen's needs.

If, for example, a retired person needs to renew their driving licence, they will be presented with a retired people's web page with a range of appropriate services, including driving licence renewal. Citizens find this arrangement more usable than a generic transport site where they need to find the relevant service among many less relevant ones.

Montreal Youth Cafe

The Montreal Youth Café is aimed at 18 to 30 year olds, many of whom have yet to acquire a working knowledge of how to access government services. It applies lessons from commercial retail environments in order to attune the channel to the citizens. For example, the counters and queues that commonly characterise government offices are absent. Instead, there is a library of information leaflets plus computers for self-service. When face-to-face assistance is needed, citizens can talk to advisors, of about the same age as themselves, at café-style tables. The resultant relaxed atmosphere contrasts with the rather formal atmosphere of a traditional government office.

Segmentation is the starting point

Service Canada is, as we have seen, designed around key segments of the population and their needs. While an approach like this does not reach the level of individual tailoring seen in, say, Amazon, tailoring presentation around the needs of citizen segments has proved to be a considerable improvement over the traditional government-centred approach.

Segment-specific channels

As well as using a mix of channels (web, telephone and so on) for all segments, Service Canada has also built some specific channels to increase access for specific groups who have not been well served until now.

The Montreal Youth Café provides a comfortable environment in which young people can learn to interact with government. The channel is also an acknowledgement that someone renewing their car tax, say, for the first time needs more information than someone doing it for the 30th time, and needs that information presented in a specific way. When a need like this arises, the young people of Montreal know that they can get support at the Café.

Although segment-specific channels might sound like an expensive luxury, in fact they can save money by helping citizens go straight to the service that they need, eliminating wasted time on both sides. Having a single “presentation layer” – such as the Café – also eliminates the duplication involved in running a separate customer service unit for each service. An additional benefit is to promote compliance with government requirements by making it easy.

Learning from Service Canada

Service Canada’s approach could be described as “broad and thin”, in that it improves the presentation layer of government without the need for major operational changes to the way services are delivered.

Separating delivery from presentation like this means that governments can achieve more citizen-centric services in an affordable and manageable way. Cost-savings of \$716 million (CAD) were achieved in the first two years of Service Canada’s operation⁴.

Sometimes, however, it will also be appropriate to change the method of service delivery, as we shall discuss in the following two sections.

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Key lessons:

- Tailoring services to the needs of particular groups and individuals can dramatically reduce cost per outcome
- The right segmentation is the starting point for creating a tailored service
- Significant improvements in service to the citizen are possible by re-organising how services are presented
- Channels, too, can be tailored to the needs of a given segment

⁴ Service Canada Annual Reports 2005-6 and 2006-7, <http://www.servicecanada.gc.ca/eng/about/scpublications.shtml>

Toyota

Toyota's sustained performance in car manufacturing is generally believed, both inside and outside the company, to result from the development of a series of practices known as the Toyota Production System (TPS). In the aftermath of World War II, innovators at Toyota began to apply US industrial techniques to manufacturing challenges. However, they were also able to identify weaknesses in the established techniques and to improve on them in the TPS.

The prevailing view in the West at this time was that a production system should be optimised and then run in the same way virtually forever. By contrast, TPS made use of the expertise of those working within the system to keep improving it, always with the customer in mind. TPS is now famous as the basis of the Lean manufacturing system.

Department of Work and Pensions (DWP)

Capgemini has helped the DWP to equip its local benefits managers with Lean techniques. Although a government department bears little superficial resemblance to a car factory, it faces many of the same challenges: for example waste arises during the processing of a benefits claim in much the same way as it would in a factory.

Two years from the start of the programme, DWP has realised savings of over £600m - well ahead of the target in the benefits case. The Department is now rolling Lean out across its main businesses, a programme supported by the in-house experts developed by Capgemini.

Lever three: improving frontline operations



So far we have concentrated on what the Department of the Future should look like to citizens using services or targeted by enforcement. Now we move on to consider how it should work internally. In particular we look at the processes which provide and administrate those services – frontline operations, as we shall call them.

All the main processes which touch the citizen – educating children, treating patients, paying benefit claims and so on – can be described as frontline operations. These processes are carried out by a variety of delivery partners – schools, hospitals, local government or a central government department itself. Some of these delivery partners are private sector – as in refuse collection – and sometimes third sector – as in many long-term care homes.

In the previous section we saw how focusing on the way citizens really use services can improve the interface between the citizen and the state. Viewing services from the citizen's perspective can also improve frontline operations themselves.

Here we can learn from the experience of the private sector, which has demonstrated that making a system easier and quicker for customers to use can also deliver efficiency savings for the organisation. The way to achieve these improvements is to re-appraise the current processes, asking which parts of them provide value to the customer and which do not. Often the best people to do this re-appraisal are the frontline managers and staff themselves. These managers and staff can then find ways to improve the aspects that have value for the customer and reduce or eliminate those that do not. A focus on waste and continuous improvement is essential.

People as well as processes

All this implies a fundamental reorientation away from processes for their own sake and towards people – both citizens and frontline staff. To understand this idea better, let's consider the example of Toyota (see panel), a company so successful that its recent announcement of a loss caused genuine shock, and was widely cited as a sign of the depth and speed of global economic slump.

Toyota's approach contrasts with a traditional production line, as exemplified by Ford's production techniques during the 1930s. The differences lie in three main dimensions: the attitude to the customer, the use of workers, and product variety and change.

- **Customers** – The classic Ford methodology relied on a one-time identification of customer need with no ability to achieve a better customer fit over time. The slogan “you can have any colour so long as it's black” may be apocryphal, but it reflects Ford's perceived attitude to customers. By contrast, Toyota bases everything on the customer and uses its knowledge of what constitutes value for the customer to improve service and eliminate waste.
- **Workers** – Ford had a famously mechanistic attitude to workers. The company showed no desire to incorporate their experience into the production process. Toyota, on the other hand, recognised its people as a valuable resource who were better placed than anyone else to improve the processes which they operated. It therefore gave them the job of finding ways to ensure flexibility and reduce inconsistency and waste. TPS encourages people to contribute ideas, and no suggestion for improvement is too small to be taken on board.

Driver and Vehicle Licensing Agency (DVLA)

For the DVLA, maximising efficiency was an urgent challenge: over-reliance on manual processes and paper checks made collecting car tax an expensive business.

Launched nationally in 2006, Electronic Vehicle Licensing (EVL) allows customers to relicense or make a SORN (Statutory Off Road Notification) online or over the telephone, during or outside office hours. The service is easy to use and a transaction takes around four minutes to complete. The vehicle record is updated almost immediately, improving the accuracy of the vehicle database. 16 million customers have used the EVL service to date, making DVLA the biggest online retailer in the UK. The National Audit Office has estimated the net savings from the scheme to be at least £33 million³.

- **Product variety and change** – Ford’s classic production line methodology was set up to build a single model with no ability to vary the specification, let alone rapidly change model. Toyota, unlike Ford, recognised that being able to adapt to different models without building a new factory is a way to save money in the medium to long term. The same modular approach that allowed Toyota to customise models for individual consumers allows it to switch rapidly to building new models.

Toyota’s success for more than half a century is testimony to this approach, which under the name “Lean” has been widely adopted in manufacturing, and increasingly in service industries too.

Citizen-focused initiatives in the public sector

Until recently, government as a whole has tended to neglect the “people aspect” of its frontline activities – the citizen’s point of view was not greatly considered, and neither was that of its own frontline staff. In fact, some government departments are still quite similar to old-style Ford production lines in the sense that they have a strong process orientation and have difficulty changing the existing process.

While the production line model has served government quite well, it has had its day. Government now needs the efficiency improvements achieved by Toyota, and its ability to accommodate rapid change. Government is also under increasing pressure to accommodate the needs of the citizen better, providing choice and adapting to the needs of different groups.

That is why the public sector is now adopting the style of worker-driven and customer-focused change pioneered by Toyota. The DWP (see panel) provides an excellent example of how, given the right environment, staff themselves can identify and implement major efficiencies.

Unlike some earlier and less successful Lean initiatives, programmes of this kind emphasise people and behaviour as much as processes. Instead of optimising processes and then trying to impose them organisation-wide, Capgemini has taught frontline managers and workers how to lead their own improvements. As well as securing their commitment, this also leaves them well-placed to handle future change.

Another example from the UK public sector, the DVLA (see panel), illustrates the Lean precept that efficiency savings can best be achieved by re-organising delivery around the customer.

Focusing on the citizen benefits the organisation too

In the Department of the Future, real gains in productivity can be achieved by starting with the citizen and working systematically and continuously to improve the parts of the process that deliver value to them, and to eliminate those that do not. As the DWP experience shows, if staff are encouraged and empowered to make the system as quick and easy as possible for citizens, then government will end up with a more efficient process as well.

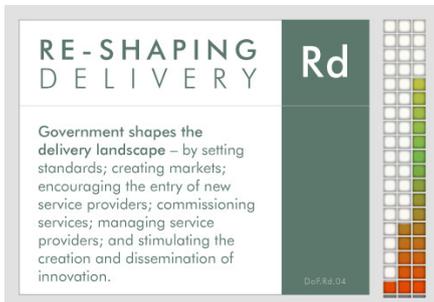
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Key lessons:

- Making the system easier and quicker for citizens can also deliver efficiency savings for government
- The way to achieve this is to systematically re-evaluate what you do based on what provides value to the customer – and frontline workers are the best people to do this
- A focus on waste and continuous improvement is essential

³ Electronic service delivery in the Driver, Vehicle and Operator Agencies in Great Britain”, NAO, January 2008, http://www.nao.org.uk/publications/0708/electronic_service_delivery_in.aspx

Lever four: re-shaping delivery



The previous lever was about directly improving frontline operations. However, direct intervention in the existing system is not the only way to improve performance at the front line. There are limits to what can be achieved through improvements to the existing system. To exceed these limits it is necessary to rethink, and to reshape, the way frontline operations as a whole are delivered. We now move on to look at some approaches that can achieve Department of the Future aims by shaping the delivery landscape rather than through direct intervention at the front line.

Re-shaping delivery involves changing the way you manage and regulate the organisations at the front line of public services. Getting this system management role right is vital to achieving sustained improvement.

In the case of tackling unemployment amongst women discussed above, just as it was important to choose the right services for the right groups, it was also important to select the right way to manage these services. In terms of regulation, the system management approach needed to ensure value for money and probity among the providers of the service. At the same time it needed to promote continued innovation in the ways women were helped back to work. Even if the original frontline delivery of the new services to these women was excellent, continued success depended on re-shaping delivery in the right way.

Three major approaches to re-shaping delivery are available. What they all have in common is that they allow government to obtain a clear picture of the whole delivery system, and to influence it with or without exerting direct control.

The three approaches are:

- **Centrally managed** – where the providers of frontline delivery are operated, managed, and owned by the government, although not necessarily by central government.
- **Networked delivery** – where the government purchases services from a network of private, public or third sector providers on behalf of the citizen.
- **Service-user choice** – where the government engineers the creation of a market where citizens choose from a range of frontline service providers.

There is no one correct solution: the best choice depends on the nature of the service and its objectives. It is rare that a department will have a completely unconstrained choice between these three approaches, and sometimes only one will be available. Whatever model is chosen or mandated, it is essential to understand the approach thoroughly and implement it in accordance with best practice.

The table opposite shows some of the ways in which these approaches differ, both in the types of service they create and as to what is required to make them successful.

Approaches to re-shaping delivery: key features and success factors

	Centrally managed	Networked delivery	Service-user choice
Features			
Uniformity of service	High uniformity	Regulated diversity	High diversity
Ability to change and innovate	Slow to innovate due to scale and limited pressure to change	Flexible and innovative in response to government demand and regulation	Flexible and innovative in response to service user demand
Skills and capabilities	Specialised long term government need: e.g. policy making, framing legislation	Access to skills not easily developed in government or available more cheaply from external sources	Access to skills not easily developed in government or available more cheaply from external sources
Culture and mindset	Bureaucratic: e.g. continuity, fairness, probity	Delivery focused: e.g. buyer-supplier/provider	End-customer focused: e.g. service
Success Factors			
Information requirements	Performance metrics on delivery of outcomes and value for money	Performance metrics on outcomes and value for money – measurement linked to contracts and payment	Clear market information for all participants
Market creation	Not applicable	Need to stimulate supply with clear opportunities for providers and other measures	Need to stimulate both supply and demand
Value for money/ pricing	Need to ensure value for money: e.g. audit	Competitive tenders used to ensure value for money	Need to carefully regulate price setting
Governance	Need to manage all parts of the process – both strategic objective-setting and operations	Need to set and ensure standards for providers: e.g. financial probity, safety standards	Need to set appropriate market regulations and ensure minimum standards are met

Office of Criminal Justice Reform (OCJR)

The OCJR was created in the early 2000s to join up the objectives of the numerous and disparate functional and regional agencies within the UK's criminal justice system. It works with 42 Local Criminal Justice Boards (LCJB) to agree coordinated action in line with the aims of a ministerial-level National Criminal Justice Board (NCJB). The OCJR's objective is to drive forward the change programmes agreed by the NCJB and to monitor their progress against targets.

An example of the system's success is the Offences Brought to Justice programme. In the year ending June 2007, 1.43 million offences were brought to justice, easily exceeding the target for the following year of 1.25 million.

We shall now look at each of the three approaches in more detail, illustrating our discussion with real-life case studies.

Centrally managed

The centrally managed approach can be viewed as the traditional method for managing government delivery. It remains relevant where a high level of uniformity is needed, as in the case of the legal system, or where central control is seen as vital, as in the cases of the military and the Foreign Service. The centrally managed approach has the advantage of enabling government to develop skills it will need over the long term, but which are not typically found outside government, such as those in the military or diplomatic service.

Even in a centrally managed system, re-shaping delivery can be a case of motivating and cajoling rather than controlling. Unlike the bodies it seeks to coordinate, the OCJR (see panel) has no independent statutory authority. Lacking the ability to compel, it operates through indirect influence, and through control of the budgets for the programmes it operates.

An approach like this works best where the organisations concerned are already strongly motivated to collaborate, but have had practical difficulties in doing so. In the OCJR example, the organisations within the justice system want trials to go ahead on time, yet historically have experienced difficulty in ensuring that police and other witnesses arrive on cue and that evidence is ready when it should be. By putting in place mechanisms to aid scheduling and communication, OCJR makes it easier for organisations to overcome these difficulties.

To make a centrally managed approach work successfully, the system

management function needs to take action to make sure innovation is not stifled by central control. Innovation can be stimulated by actively seeking out good practice and spreading it though the rest of the front line.

Also vital to success are the right information systems. These systems help to enable democratic accountability and give the vital management information to measure performance and value for money.

To sum up, centrally managed delivery can generate improvements in a situation where government has delegated considerable authority to the frontline operational layer, but where markets or networked delivery are not appropriate. Coordinating, supporting and facilitating collaboration can be just as successful as competition or tendering, in managing a network of frontline provider organisations.

Networked delivery

Networked delivery is one of two main ways of injecting competition into a system when it is possible to move away from the centrally managed model (the other being service-user choice). It is not always appropriate to move to a consumer-driven market where citizens choose their own service providers; networked delivery means that the government retains responsibility for purchasing services, but does so from a network of providers. These competing providers might be private, third sector or publicly owned.

Opening up the system to competition can be a way to foster innovation. In the W-2 example (see panel), the providers were given the freedom (within pre-defined limits) to take whatever measures they saw fit, including working with

sub-contractors, provided rigorous state-administered performance criteria are met. For example, drawing on long experience of working with local women, one contractor, YW Works (a not-for-profit enterprise of the Milwaukee YWCA) decided to focus on giving women the soft skills – such as interview techniques and timekeeping – that they needed to get back to work .

Along with criteria for selecting and monitoring providers, correctly-designed incentives are an important facet of best practice in networked delivery. Incentives are the main means of aligning the providers' objectives with those of government and should be carefully defined and frequently revisited.

It is essential to review programmes frequently to see whether they are meeting their success criteria. Not all providers or programmes will succeed, and government – whether central or local – needs to act as a critical and well informed customer. In particular, government needs to ensure that the network of providers is large enough that it always has the option to replace failing contractors.

It should be noted that where a service has previously been provided by a public sector organisation, it too can compete to provide it. Moving to networked delivery can reinvigorate public providers by giving them the space and motivation to innovate. When the state of Maryland hired a private contractor to collect child support payments in two counties, it provided similar freedoms to existing state providers in other counties. While the contractor fell short of its targets, one publicly-run county was able to increase collections by 13% .

As we have seen, networked delivery can create a sophisticated delivery system that promotes innovation and gives government increased access to skills and experience.

Service-user choice

Like networked delivery, creating a services market is a way to move away from the government-owned model, opening the area up to competition with the hope of increasing innovation and getting more for less. Here there is a high level of citizen control because the citizens choose their own providers, again from among private, public or third-sector entities. It follows that service-user choice is only really suitable for situations where citizens are in a position to make an informed choice. Government exercises influence by setting regulations, determining prices, providing funding and encouraging new entrants.

Service-user choice is a successful method where flexibility to service-user demand is more important than a particular centrally defined objective. A government department that decides to create a market must be prepared to accept that the result may be different from that anticipated, since it is determined by citizen choice. In the Friskolar example (see panel overleaf) some surprises emerged, not least that the leading player was a private company, operating multiple schools, instead of the local community groups that had been expected to predominate. In addition, the teaching model of the largest schools chain Kunskapsskolan is freeform and somewhat “alternative” compared with traditional Swedish schools. These schools are successful because they meet needs of parents and students and are responsive to their demands.

While preparing to give the market its freedom, government must make sure that any essential prerequisites are engineered into the design. For example, the Friskolar must meet the stipulations that all schools are free and open to all students, both of which are seen as vital in Sweden.

Wisconsin Works

The state of Wisconsin made the U.S.'s “welfare-to-work” benefits reform movement into an opportunity to change not only the benefits themselves but also the way in which they were delivered. The Wisconsin Works (W-2) programme moved away from provision by local government (at county level) to one where the state commissioned a network of public and private providers.

Around 70 W-2 agencies across the state, supported by a network of sub-contractors, now deliver both benefits and back-to-work assistance. Now 70% of the W-2 workload is handled by third sector and for-profit providers, though government entities still participate too. Following the introduction of W-2, Wisconsin saw a significant improvement in outcomes compared to other states, with single parents' employment rates increasing from 77% to 80%, and their poverty rate declining from 30% to 25%, between 1997 and 1999⁷.

⁶ “Governing by Network” by Stephen Gold Smith and William D. Eggers

⁷ “W-2 Achievements and Challenges: An Overview and Interpretation of the White Papers commissioned by the Department of Workforce Development” by Rebecca J. Swartz and Thomas Corbett

⁸ “The End of Government... As We Know it” by Elaine C. Kamarck

Friskolar (free schools)

Following a change of government in 1991, Sweden began reforming its educational system, responding to public support for greater choice and protection of the country's traditional pre-eminence in education. Funding of education was decentralised to local municipalities, and reforms allowed any group to set up a school and receive funding provided it met basic criteria.

These Friskolar now educate over 10% of Swedish children. While still bound by the national curriculum, the schools enjoy considerable freedom to try new approaches. The largest operator is a profit-making company Kunskapsskolan. Its 30 schools offer a largely web-based, collegiate pedagogic style that promotes self-guided learning amongst its 10,000 students.

An issue that any market design must address is pricing and allocation of funds. For example, one country might insist that every child's education is equally funded, while another might be prepared to pay more for particularly bright children or those with special needs. A danger is that pricing systems will be set at the outset and not revised frequently enough. Linking prices to inflation is not enough because costs do not necessarily keep pace with inflation so the market could become too profitable or not profitable enough. Once again, government needs to monitor the market to ensure that it is functioning as intended. In the case of the Friskolar programme the price paid is tied to the level of funding given by local government to state-owned schools: this approach works only where a large state sector continues to exist alongside the market.

The context in which the market operates is crucial to its success in delivering the right outcomes. The Friskolar model would not necessarily succeed outside Scandinavia, with its high levels of social cohesion, economic equality and acceptance of high taxation. However, as with networked delivery, the general approach has great potential to improve the way services are delivered to the citizen and to multiply innovation in frontline solutions.

Success in re-shaping delivery

Regardless of which approach is adopted, re-shaping delivery aims to organise, improve and direct the behaviour of citizen-facing organisations. From the citizen's point of view the government's influence is often visible only indirectly. Nonetheless, re-shaping can have a significant impact on citizens' experiences: while few citizens have heard of the OCJR, many have benefited from improvements in the organisation of the justice system.

Re-shaping the delivery system can be a powerful tool for delivering outcomes to citizens. Before this can be done, however, it is important to be clear about the desired outcomes and their relative priorities, as we shall see in the next section.

Rd

Key lessons:

- In reshaping delivery there are three models to choose from
 - Centrally managed
 - Networked delivery
 - Service-user choice
- Networked delivery and service-user choice both introduce an element of competition
- The model must be carefully selected to suit circumstances
- Regardless of model, government's system management role is critical to success

Lever five: changing outcomes and scope



Our discussion of the first four levers has assumed that there is broad agreement about what government should be doing, and that what is mainly needed is to improve how it is done.

Pulling the fifth lever for delivering better outcomes involves revisiting the outcomes and scope being targeted. More specifically it means examining:

- The scope of government and the public sector;
- How the outcomes are defined, as well as the policy choices and delivery strategies required to achieve these outcomes;
- How to align the organisations within a delivery chain with the vision.

Redefining the scope of government

Changing the scope of government activity might mean broadening or narrowing (or simply altering the emphasis of) the range of outcomes targeted by the state. New Zealand slimmed down the government and disengaged it from the economy, whereas Singapore has done almost the opposite by carving out a central role for the state in the direction of the economy. Yet both have succeeded in their own terms.

The success of the New Zealand programme can be seen as a direct result of clarity in redefining what the state should try to achieve. The central vision of the programme was to get the state out of commercial activity and to examine its role elsewhere to see where it should pay

for and provide services; pay for but not provide services; or do nothing.

While New Zealand's story is one of a reduced role for government, particularly in the commercial sector, Singapore's is one of strategic economic and industrial leadership by government. Singapore's government has played a crucial role in generating the Singapore "economic miracle", partly through extending the scope of its activity to include setting the country's industrial direction, but also through defining very specific outcomes that it wanted to achieve.

Defining outcomes, policy choices and delivery strategy

As we have just seen, redefining the scope of government can improve effectiveness – but the other prerequisite for doing so is to have a clear vision of the goals you are trying to achieve. Sometimes these goals are obvious, while at other times they may be controversial.

In the example of workless women in London, described above, the council focused attention on getting women back to work as its core objective, and set out the vision of a personalised service. This redefinition of the objective allowed the team to question the current delivery model fundamentally. While the women involved were already being targeted with a wide range of services, the new clarity of vision enabled these services to be brought together as part of a personalised service to achieve an outcome that had already been well-defined.

Sometimes, too, a government entity may decide to embrace a completely new and radical goal. In this case, without any redefinition of scope, a government can transform the fortunes of a country or locality by finding a clear vision, an example being the much-imitated "Barcelona Model" of urban regeneration (see panel overleaf).

New Zealand

New Zealand's economic situation in the early 1980s was challenging, with unemployment reaching 7% in 1983 and average annual GDP growth of only 1.15% between 1976 and 1984. After its election in 1984, the country's Labour government set out to redefine the role of the state, limiting its activities to areas where it saw a clear advantage to state action. The programme sold off state-owned commercial enterprises and "corporatised" many other public services.

Singapore

Realising in the late 1950s that Singapore's old role as a trading post would limit growth, its government set a goal of rapid industrialisation, a process which it would lead. Ever since, the government periodically re-defined the nation's economic direction: crucially, in 1979, it abandoned an earlier policy of stimulating low-wage industries and instead began encouraging capital-intensive, technologically sophisticated industries. The government's clear vision has helped Singapore to sustain high growth over decades, with average annual growth rates of 8% from 1960 to 1999.

Barcelona

Barcelona's vision went far beyond the 1992 Olympics, encompassing areas outside the Olympics zone and ensuring that the Olympic facilities added to the fabric of the city after the event was over. Between 1989 and 1992 a 40,000km fibre optic network was completed while the number of roads increased by 15%; "green" zones and amenities grew rapidly. The result was an appealing urban environment for residents and visitors as well as a modern infrastructure for commerce.

Aligning behind the vision

Making a significant change in the outcomes and scope targeted by government requires the creation of a leadership coalition which can drive change. This leadership coalition is needed to align all the players in the delivery chain behind the vision.

An example is provided by the UK's initiative to refocus primary education on basic skills in literacy and numeracy in the late 1990s. This involved changing the focus and priorities not just of a department, but of a country's entire primary-level education system. Here there was an exceptional working relationship between the minister involved and the senior civil servant who was his opposite number. The two achieved a thorough understanding of each other's views, a strong consensus and a consistent voice on the key issues. The policy produced improvements in performance in literacy and numeracy tests over the following four-year period, which have been sustained.

Improved effectiveness comes from appropriate scope, well defined outcomes, policy choices and delivery strategies and alignment behind the vision

We have illustrated the power of rethinking the scope of government and redefining its objectives, provided that there is a strong leadership coalition of civil servants and politicians to promote the change.

These points are equally valid at all levels of government, and also at the level of individual initiatives. For example, in the women's back-to-work project discussed earlier, the turning point was the desire to provide a personalised service in order to enable each woman to overcome the barriers stopping her returning to work. This shift of emphasis would not have been possible without the active collaboration of local government politicians and leadership, as well as of the individual agencies involved.

It was also important to build citizens' consensus around the change – a consideration for virtually all policy changes, as we shall discuss next.

Os

Key lessons:

- Refining the scope of government has a clear link to efficiency and effectiveness
- Correctly defining outcomes, policy choices and delivery strategy can be transformative
- Aligning behind the vision is crucial

¹⁰ Transformation Summer 2007 (6th edition) "Team ambition: delivery reform in education and skills"

¹¹ "The English Experiment" by Stephen Machin and Sandra McNally, Education Next, Summer 2005, <http://educationnext.org/theenglishexperiment/> <http://www.dcsf.gov.uk/tsgateway/DB/SFR/s000865/SFR19-2009Tables.xls>

Lever six: making the case for change



In the last section we saw how it can be beneficial to alter the scope or objectives of public policy. Often the success of the revised policy will depend on public consensus.

For example, the project to help workless women in a London borough back to work embodied a shift in objectives – away from benefits payment and towards enabling return to work. For such projects to be successful there needs to be a broad public consensus behind the change.

The public need to be reassured that any programmes are not a “soft option”, and equally that they do not penalise women in difficult situations. A lack of public confidence in these programmes could well make it harder for participants to get jobs, and reduce the willingness of other women to participate.

Departments need to build consensus about the way policies are enacted

Even when there is general public agreement about a policy, it may still be necessary to build consensus around the chosen way of implementing that policy.

For example, while there is a high degree of agreement about the overall aims of UK health policy, and also a level of public appreciation that the resources available to spend on those aims is finite, there is less agreement about how those resources should be allocated. The “postcode lottery” – i.e. regional inconsistency of treatment regimes – has been particularly controversial. The National Institute for Health and Clinical Excellence was designed to rectify those inconsistencies, and at the same time to help build consensus about resource allocation decisions.

Inevitably, some of NICE’s decisions have been controversial (the furore around Herceptin for breast cancer is perhaps the best-known example). However, by making explicit the compromises that healthcare bodies are forced to make, NICE has begun to build a broader consensus with the public. The transparency of its assessments means that even if citizens disagree with them, they can at least see that they are consistently applied.

The importance of disseminating clear and accurate information

The NICE example (see panel overleaf) shows the value of transparency in building consensus. Even potentially sensitive policies can succeed provided there is clear and accurate communication of their aims and implications, as the Chip and PIN example (see panel overleaf) shows.

Consensus is vital for the success of a change like the Chip and PIN card introduction. Even where a policy is both practical and a good reflection of public values, a timely public information campaign may still be required to make the policy work.

Information needs to flow in both directions

It is not enough simply to churn out information. It is important to communicate that information in a way that is sensitive to public perceptions and feelings, particularly with respect to emotive issues such as treatment rationing or protection of personal data. This means that the flow of information has to be bi-directional. It also means that government has to take steps to ensure that it understands the range of prevailing public perceptions and feelings before it starts.

Consultation with the public can shape better policies, while promoting public acceptance of those policies. NICE incorporates members of the public in the form of a Citizens Council, which means that the criteria NICE uses to make its decisions are shaped by public values – and can be seen to be so. For example, the Citizens Council has set out rules limiting when age can be taken into account in judging the cost-effectiveness of treatment.

National Institute for Health and Clinical Excellence (NICE)

NICE assesses treatment regimes and provides guidance on which drugs NHS organisations in England and Wales are obliged to fund. However, in contrast to other drug evaluation bodies which sometimes purport to make decisions on the basis of clinical effectiveness alone, NICE explicitly considers both medical outcomes and cost-effectiveness.

Chip and PIN

The launch of Chip and PIN payment cards in the UK in 2006 required the building of a consensus for change amongst both the public and the thousands of merchants who would have to use the system. Both were being asked to make a considerable change in behaviour and, in the case of merchants, often an additional investment in technology.

A substantial public awareness campaign was an integral part of the launch plan. The campaign explained the extent of fraud, and how the new system would combat the problem. One year after the launch more than 99.9% of all Chip and PIN card transactions were PIN-verified and approximately 98% of all shop tills in the UK had been upgraded to chip and PIN.

Engaging citizens with the case for change

While some issues are always going to be controversial, by taking the steps we have outlined above, it becomes possible to replace mistrust and inertia with fact-based and action-oriented debate. Whenever a policy change is being launched by the Department of the Future, policy makers and civil servants alike must factor in the need to build consensus. In fact, that task should be made an integral part of the implementation plan.

We have almost come full circle. We began by advocating the engagement of citizens as participants in service delivery, and now we are advocating engaging citizens with the policies that determine what services are delivered and how. In both cases the fundamental task is to facilitate two-way communication so that the aims of government and citizens are aligned as far as possible.

Cc

Key lessons:

- Departments need to build consensus about the way policies are enacted
- Disseminating clear and accurate information is vital
- Citizens need to see the evidence motivating policy
- Information should flow in both directions

Conclusion: building the Department of the Future

As we have seen, the opportunities for improving delivery of government services can be understood in terms of six interrelated “levers”, summarised in the diagram below. Appropriate use of these levers will help policy makers and senior civil servants to meet the major challenge of the coming decades: that of delivering more with less. In particular, the levers point to ways government departments can realise long-term transformational aspirations while simultaneously addressing short-term efficiency requirements – which will be essential during the next two parliaments.

Getting started

So how do you get started? While reading this report you may well have identified one or two levers that seem particularly applicable to your department or delivery chain. You will need to check your intuition against the overarching principles of your organisation – if its goal is to become more citizen-centric, for example, will your chosen levers help you achieve that?

Think about design choices: these include issues like which functions or processes you should perform internally and which are best performed by external partners, and also the leadership and governance structures that need to be put in place to achieve transformation. Referring to our accounts of the relevant levers, and to the more detailed public and private sector examples that underlie them, will tell you what design choices do and don't work.

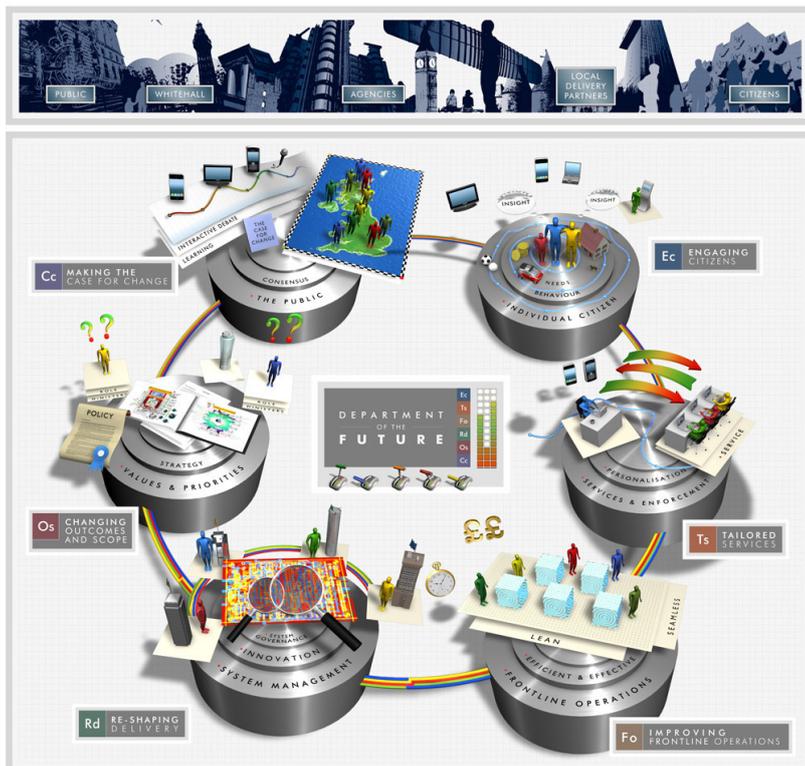
Having confirmed which design choices are most relevant to your goals, you can start to identify the capabilities needed to execute them. Some of these you will be able to satisfy already, but there will be others that you need to develop or acquire. For example, we often see that departments need to bolster their skills in developing customer insight, in identifying and managing service providers, in carrying out system-wide performance management and in managing talent. In each case you will have a choice of investing in your existing skills base, hiring new staff, or obtaining what you need by partnering or outsourcing.

Having thought about overarching principles, design choices and capabilities, you will be in a position to create a roadmap setting out the steps you will need to take in order to pull the lever or levers that will move your organisation towards your vision of the future.

Why act now?

In common with the rest of the UK economy, the public sector needs to find ways of delivering more with less. Departments, agencies and delivery chains are starting to rethink their modus operandi. They will be expected to continue to achieve major long-term improvements while also meeting urgent short-term efficiency goals.

Change on this scale is never easy, but knowledge of leading practice in the public and private sectors can help inform successful choices. In this report we have tried to give a flavour of this leading practice as exemplified by a few of the 80-plus organisations we have studied. To find out more about our detailed research, or to discuss how you might apply the framework outlined here to guide your journey towards the Department of the Future, please contact us.



Six ways to get started on your journey to the Department of the Future

- Think citizen
- Build leadership coalitions
- Integrate policy and delivery
- Identify and develop your capability
- Build and manage system, not department
- Focus on your core job

Components and levers in the Department of the Future framework



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