

DELIVERING THE NICHOLSON CHALLENGE

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SURVEY

SPECIAL REPORT

MANAGERS' BIG WORRIES OVER £20bn TARGET

HSJ survey reveals anxieties over 'imaginary' savings, sustaining quality and engaging stakeholders – but also highlights commitment to innovation, reports Daloni Carlisle

To say that the NHS is facing its greatest ever financial challenge has begun to sound like stating the obvious. To note, as the King's Fund did this month, that many finance directors doubt whether the savings are deliverable reveals a growing uneasiness.

It is a finding that was mirrored in an online survey run by *HSJ* in July. The message coming back from 244 respondents – who included chief executives, finance directors and clinicians with management responsibility from both provider and commissioning organisations – was that confidence is shaky.

More than half (55 per cent) were not confident that their organisation could make the savings needed; and 57 per cent felt that financial improvement schemes would negatively impact on quality.

Given what the King's Fund has found, this is perhaps only to be expected. But there were some more surprising results from the survey which tried to get under the skin of what is happening in the NHS – not in

terms of headline grabbing cuts to services but how organisations are approaching the challenge and whether their cultures really line up with the requirements to deliver on QIPP.

It looked at the extent to which all the different stakeholders are engaged in the financial improvement schemes,

for example, and at who "owns" the financial challenge as well as how quality and innovation have been embedded into financial improvement efforts. Crucially, it also looked at whether the benefits of financial improvements are being measured – and whether they are real.

"We all knew, when the Nicholson challenge was set, that we were not going to save £20bn from streamlining back office functions," says director of healthcare advisory at BDO Craig Barratt (see box, page 21). "QIPP is there for a reason, but I do wonder sometimes how well the Q for quality and I for innovation have really permeated across organisations and into the finance department."

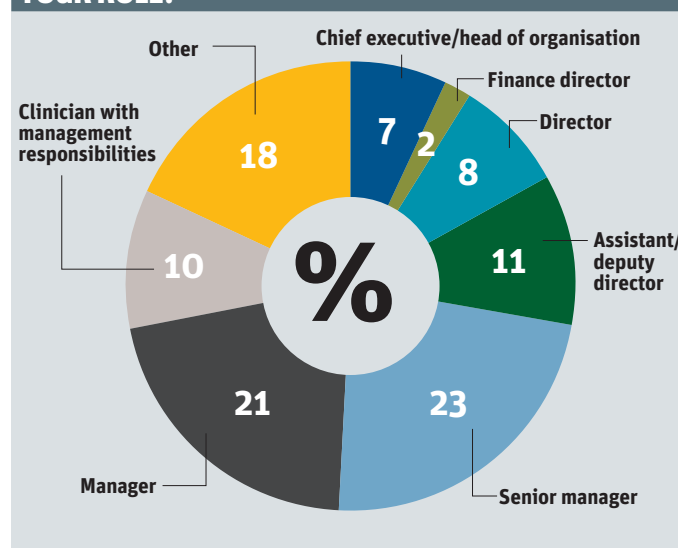
The survey results come with the usual terms and conditions (it was a self-selecting sample with too few respondents to allow robust statistical data) but nevertheless provide a good snapshot of where trust boards might look to make sure that they can deliver on the savings not just this year but also into the next three to five years.

Who answered?

In total, 244 people took part, representing a wide spectrum of senior managers from across the NHS.

Just under half work in a hospital trust; one in five work in a primary care trust and there

WHICH OF THE FOLLOWING BEST DEFINES YOUR ROLE?



were others in the Department of Health, strategic health authorities, primary care and the independent and voluntary sector.

KEY FINDING: ABILITY TO CAPTURE IDEAS

● More than half (55 per cent) said their organisation has an effective ongoing process to ensure good financial improvement ideas are captured and acted on.

This is a surprising result, says Mr Barratt. All organisations need to capture ideas from staff who know where the waste lies. "All organisations need a pipeline of ideas; they need a way of capturing them, prioritising them and then acting on them. I was surprised by how many people agreed with this and believe that there is a system in place."

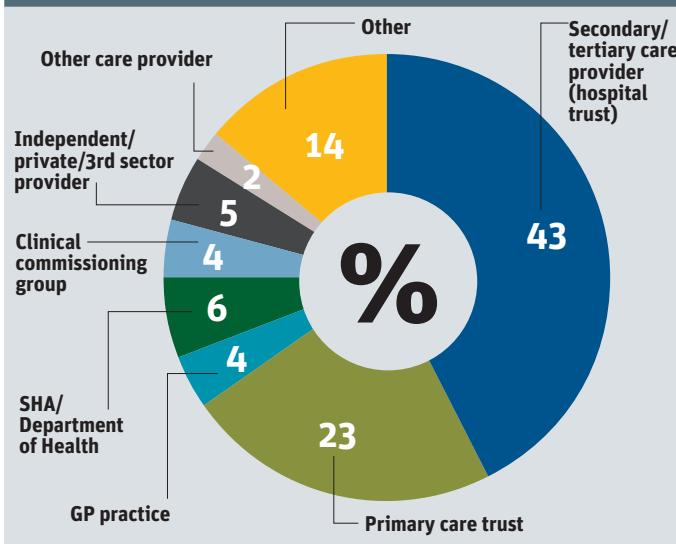
KEY FINDING: ENGAGEMENT AND OWNERSHIP

● Just under half (42 per cent) said that their organisation engaged all relevant stakeholders with developing and delivering financial improvement schemes – but one third (36 per cent) did not.

● Exactly half (50 per cent) said all financial improvement schemes have a clear owner.

● Nearly half (48 per cent) said the timetable for delivering

WHAT TYPE OF ORGANISATION DO YOU WORK FOR?



schemes is clear.

● Nearly two thirds (59 per cent) agreed that the overall financial challenge is owned by the organisation and not just by the finance department.

The first of these findings prompts a question, says Mr Barratt. "Are organisations setting themselves up for success – or for failure?"

"If you are not involving all your stakeholders you cannot know what level of support you have. Engaging stakeholders

does not mean that they are magically supportive – but it does at least indicate how you might develop a strategy to gain support."

On the reverse side, there is a high degree of ownership of plans that have a timetable for delivery. "This is real old school management: every idea and plan must have a person who owns it and a timetable to deliver it because it will not survive otherwise," says Mr Barratt.

But there is positive news. "It's great news that so many say the organisation as a whole owns the financial challenge," says Mr Barratt. "Ideally that should be 100 per cent."

KEY FINDING: MEASURING THE BENEFITS

● Only one third (34 per cent) said the benefits of all financial improvement schemes are clearly identified and measurable; only 4 per cent strongly agreed with this.

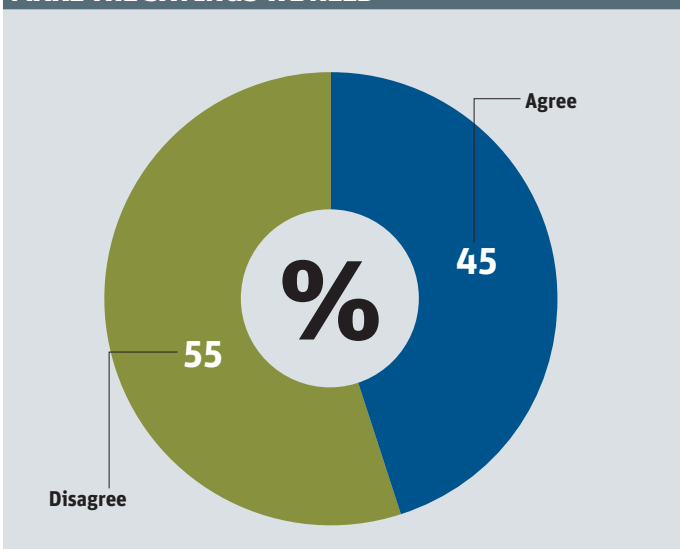
● Nearly half (44 per cent) said that the benefits of schemes are carefully monitored.

The number failing to identify and measure benefits is a worry, says Mr Barratt.

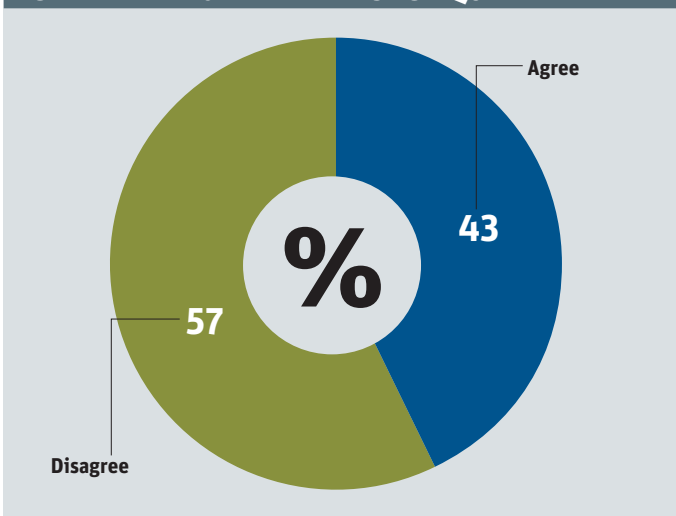
"I would say all trusts should be aspiring to strongly agree with this. Here we have very senior managers dealing with one of the biggest financial challenges the NHS has ever faced and one that they knew was coming. One would hope that at the very least, they could be confident of measuring the financial benefits of what their organisations are trying to do."

Contrast this with the apparently contradictory finding that nearly half say they monitor schemes. It's a more hopeful figure but one that does not sit easily with the first finding.

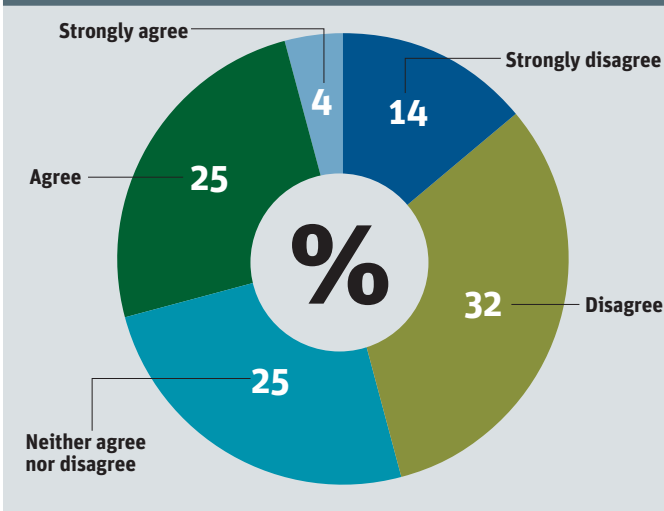
I AM CONFIDENT OUR ORGANISATION IS ABLE TO MAKE THE SAVINGS WE NEED



I AM CONFIDENT THAT THE FINANCIAL IMPROVEMENT SCHEMES WE HAVE IN PLACE WILL NOT HAVE A NEGATIVE IMPACT ON QUALITY



THE QUALITY BENEFITS FROM FINANCIAL IMPROVEMENT SCHEMES ARE CLEARLY IDENTIFIED AND MEASURABLE



'It's great news that so many say the organisation as a whole owns the financial challenge'

At any rate, both findings underscore the large numbers of managers who are not focused on benefits and, as Mr Barratt says: "Maintaining an unrelenting focus on the benefits will be a critical factor in meeting the challenge."

KEY FINDING: QUALITY

● Nearly one in three (29 per cent) said that the quality benefits from financial improvement schemes are clearly identified and measurable; just under half (46 per cent) said they were not.

This is a question that gets to the heart of whether quality is really embedded in the financial agenda – and it is hard to be positive about the results, says Mr Barratt.

"It does fit with my experience of the NHS in that even in cash rich times people

focused more on the money than the quality," he says.

But quality is now on the agenda in some organisations and that is down to QIPP, he adds. "Quality would have fallen off the agenda without QIPP," he points out.

"The Q has acted as a parachute to prevent that happening. The overall aim must be to balance efficiency with quality and this result shows that's not being done in many places."

KEY FINDING: ARE SAVINGS REAL?

● Only a minority of respondents (27 per cent) agreed that the benefits of all financial improvement schemes are real; nearly half (44 per cent) disagreed.

The corollary of this finding is that nearly half of the senior managers and directors in this survey felt that the savings being projected were imaginary or unreal. How can this be?

Mr Barratt gives an example of the departmental plan that simply marks 3 per cent savings on every service line but has no idea how to deliver it.

"The numbers are real but the savings are not," says Mr Barratt. "That so few people have faith in the reality of their plans is a stark finding."

CRAIG BARRATT ON I FOR INNOVATION



When it comes delivering financial improvement what use is the I in QIPP?

Cynics might say that the I in QIPP serves the dual purpose of helping the mnemonic scan fluently while briefly drawing one's eye away from the need to deliver £20bn of productivity improvements.

However, for provider organisations facing a real terms drop in income, the quality, innovation, productivity and prevention agenda is no longer about doing more for the same. It's about doing more for a lot less. And when costs need to come down what room is there for innovation? At first glance the answer "both lots and very little" seems trite. But allow me to explain.

There is lots of room to innovate by launching initiatives and schemes that can significantly reduce costs or improve throughput.

For example, NHS in Bedfordshire, working with BDO and behaviour change specialist Steve Martin, author of *YES! 50 secrets from the science of persuasion*, has applied lessons from social psychology to reduce do not attends in GP health centres by over 30 per cent. The interventions are low cost, easy to implement and, because they have never been tried before, can be regarded as innovative.

Innovative, low cost and high impact schemes are important and should never be overlooked.

However, many financial improvement initiatives require less in the way of innovation and more in the way of focus. Often it's not new ideas that are needed, but a focus on ensuring that the current ideas are heard and given appropriate consideration.

This is especially important when one considers that most ideas, rather than originating from outside sources, usually come from within – most notably from an organisation's staff. Consequently

two factors emerge that score low on innovation but score highly on financial improvement – ideas and delivery.

Ideas

It is simply not possible to have too many ideas; nor for ideas to be developed with too much engagement from staff. Ideas are important in their own right but true value also comes from how the ideas are generated in the first place. Clearly assessment and prioritising of ideas is important but that comes once all options are generated and on the table. More than innovation, the NHS needs leaders who are engaged, challenging and possess an attentive ear.

Delivery

A sound approach to delivery is surely more common sense than innovative. But you know what they say about common sense. In BDO's work successfully improving the finances of NHS organisations the same key lessons tend to emerge:

● **Focus on action.** Plan carefully, empower people to own and deliver, then monitor actively.

● **Create high trust environments.**

Challenge often draws decision making towards the centre. Avoid this temptation. Creating high trust environments correlates strongly with quicker, longer lasting and lower cost change.

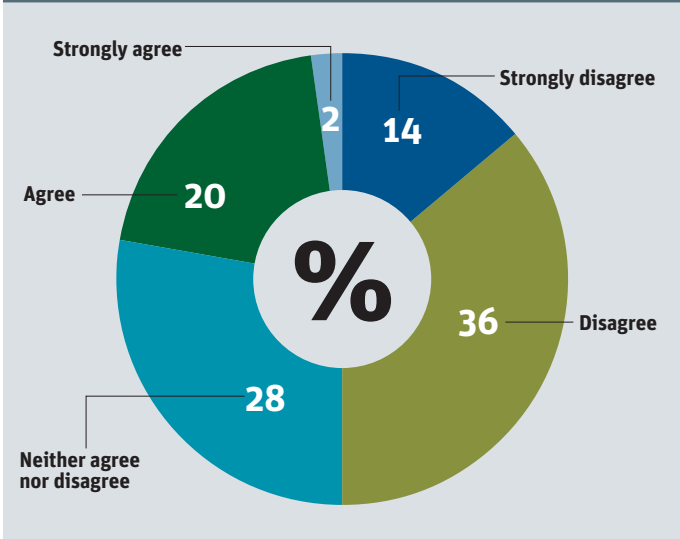
● **Monitor lead indicators, not lag indicators.**

Steer the ship by looking to the front, not from where you've come. The financial ledger is a lag indicator. Someone doing what they said they would is a lead indicator.

When it comes to securing financial improvement innovation is crucial. Not just in launching initiatives that, by definition, are innovative but also paying attention to those that, by definition, seem anything but.

Craig Barratt leads BDO's work on financial performance improvement in the NHS

THE INTERDEPENDENCIES BETWEEN SCHEMES ARE CLEAR AND WELL MANAGED



'The disconnect between those at the top and middle managers is troubling'

KEY FINDING: MANAGING INTERDEPENDENCIES

● One in five (22 per cent) agreed that interdependencies between schemes are clearly identified and well managed; half (50 per cent) did not.

● One third (32 per cent) said any double counting of benefits is clearly identified and managed. There is, says Mr Barratt, a growing awareness that initiatives do not stand on their own. But the low numbers who agree that interdependencies and double counting are identified and managed points towards a need to grapple with this more firmly.

"People need to get over the fear of schemes overlapping," he says. "Schemes do overlap, numbers overlap and that may point to consistency, but we need to understand them."

Savings need to come from the front line where services are delivered, he says. Yes, several

departments may wish to tackle, say, agency spend or sickness absence. But that does not mean this is something that should be centralised.

"Leave responsibility with the department that holds the budget," he says. "Then offer central support to them to do it."

He also recommends using a project management office approach to map and understand interdependencies and provide central support.

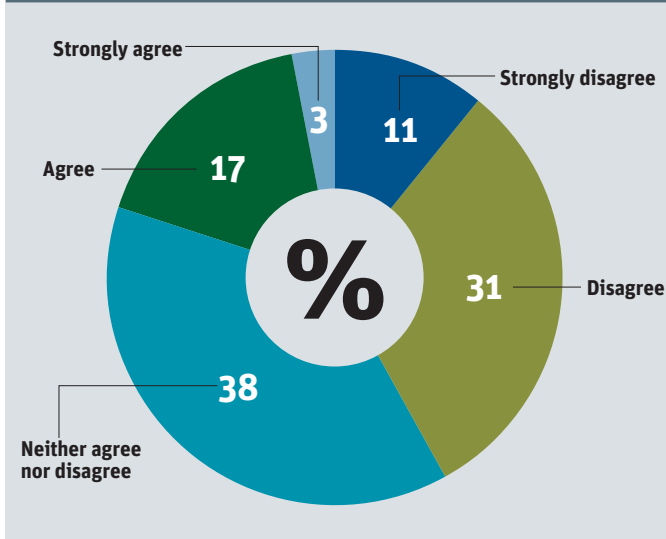
"This is the polar opposite to how people usually behave in a crisis," he points out. "It's about empowerment and support for teams. We find that where organisations have a clear structure and a clear vision for doing this, they are they more successful in realising savings."

IMPRESSIVE IDEAS FOR INNOVATION

The survey asked respondents if their organisation was doing anything innovative around financial improvement that should be shared with others. Just one third (36 per cent) said yes, but 58 of the 87 who did so took the time to submit their ideas. "I think this is really impressive," says Mr Barratt. Among them were:

- Using practice nurses instead of

MY ORGANISATION'S BOARD MAKES DECISIONS THAT REDUCE THE BENEFITS OF SCHEMES



KEY FINDING: THE ROLE OF THE BOARD

● One in five (20 per cent) said their board makes decisions that reduce the benefit of schemes.

It was a minority that agreed with this statement but Mr Barratt says it points towards what can be a dangerous disconnect between a board and the staff and one that often arises when there is poor communication.

"You may have a situation where the staff support the closure of an underused facility but the board will not make the decision to close it because it is politically too difficult," he says by way of illustration. "If there are no clear criteria for making a decision, recording it then communicating it, you end up

with frustration all round and paralysis sets in. Politics may be a perfectly acceptable criteria – but its needs communicating and the staff need to be treated like adults."

KEY FINDING: DIFFERENCES BETWEEN ORGANISATIONS AND ROLES

● Across nearly all questions, respondents working in PCTs were more negative in their answers.

● Chief executives and those working in SHAs were more confident of meeting financial savings and less negative about the impact of financial improvement schemes on quality.

That people in PCTs with no future should see less engagement in the financial agenda, poorer ownership and be more pessimistic about their ability to make savings should not be a surprise. They are, after all, working in organisations with no future.

But the disconnect between those at the top and those managers in the middle is more troubling, says Mr Barratt. The figures are too small to allow statistical comparison, but they all point in the same direction.

"There is a disconnect here and it points towards a leadership gap." ●