

The Cost of Failure

Making the Business Case for Change using Rough-cut Activity Based Costing

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22nd July 2010

Reducing avoidable contact:

Minimising the proportion of customer contact that is of low or no value to the customer

- The concept is absolutely correct . High quality, efficient services must adhere to the principle
- The elimination of avoidable contact should still be integral to public sector transformation efforts
- Reducing avoidable contact means less required resources and therefore lower cost service provision
 - Zero Based Budgeting

Generic measurement at a corporate level is perhaps not appropriate



- Our experience tells us that the national indicator approach was problematic in many cases
 - Tick box approach adopted in a number of cases
 - Lack of ownership by service managers
 - “Customer Services take the calls so its their indicator!”
 - Lack of connection with improvement efforts
 - Failure to understand the benefits
- Those identifying service specific issues to develop measures of performance seem to have more success
 - A generic label then becomes less important

Service improvement IS the day job!

“Lean” protagonists tend not to calculate costs...

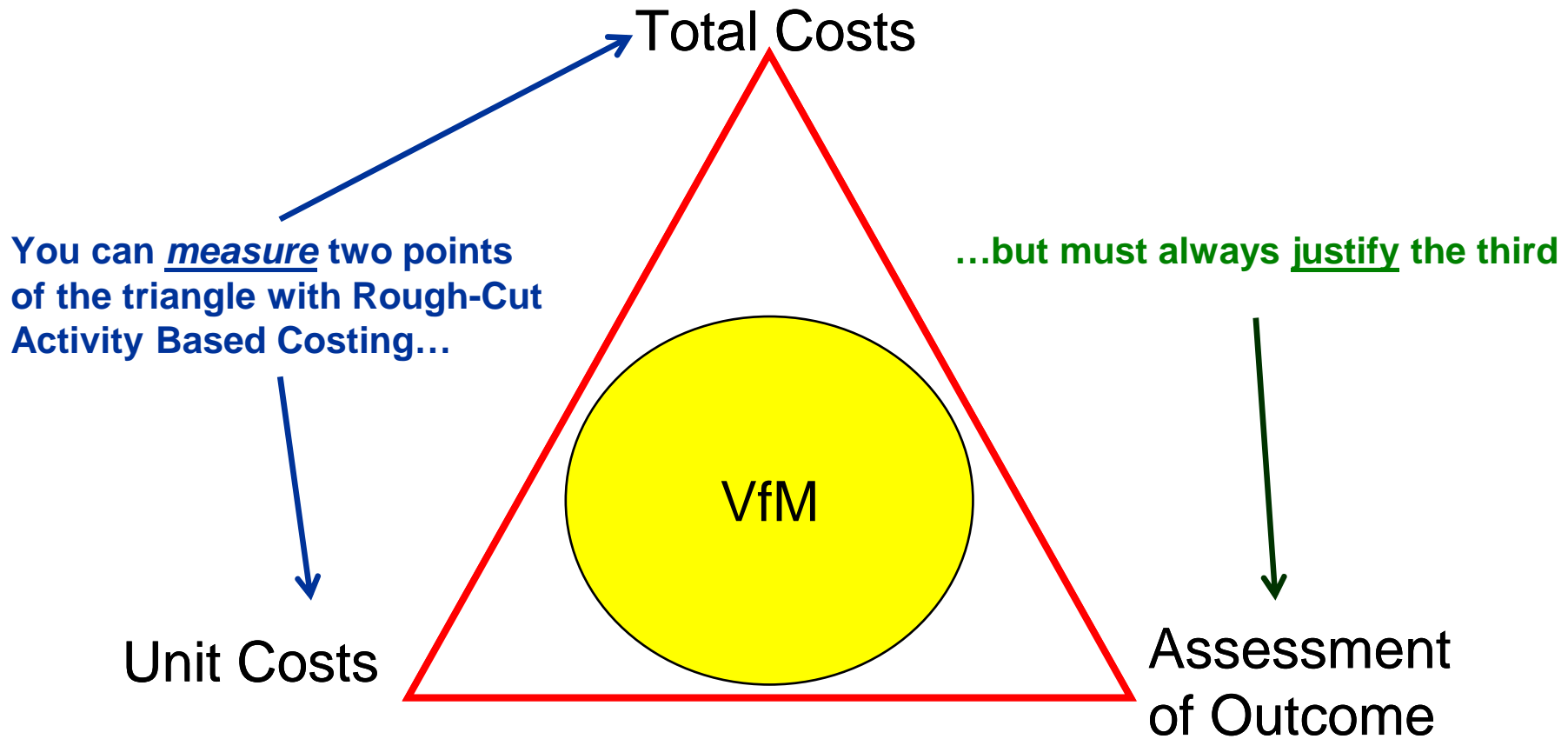


- The Lean “leap of faith” is...

“If we meet customer requirements costs will fall”

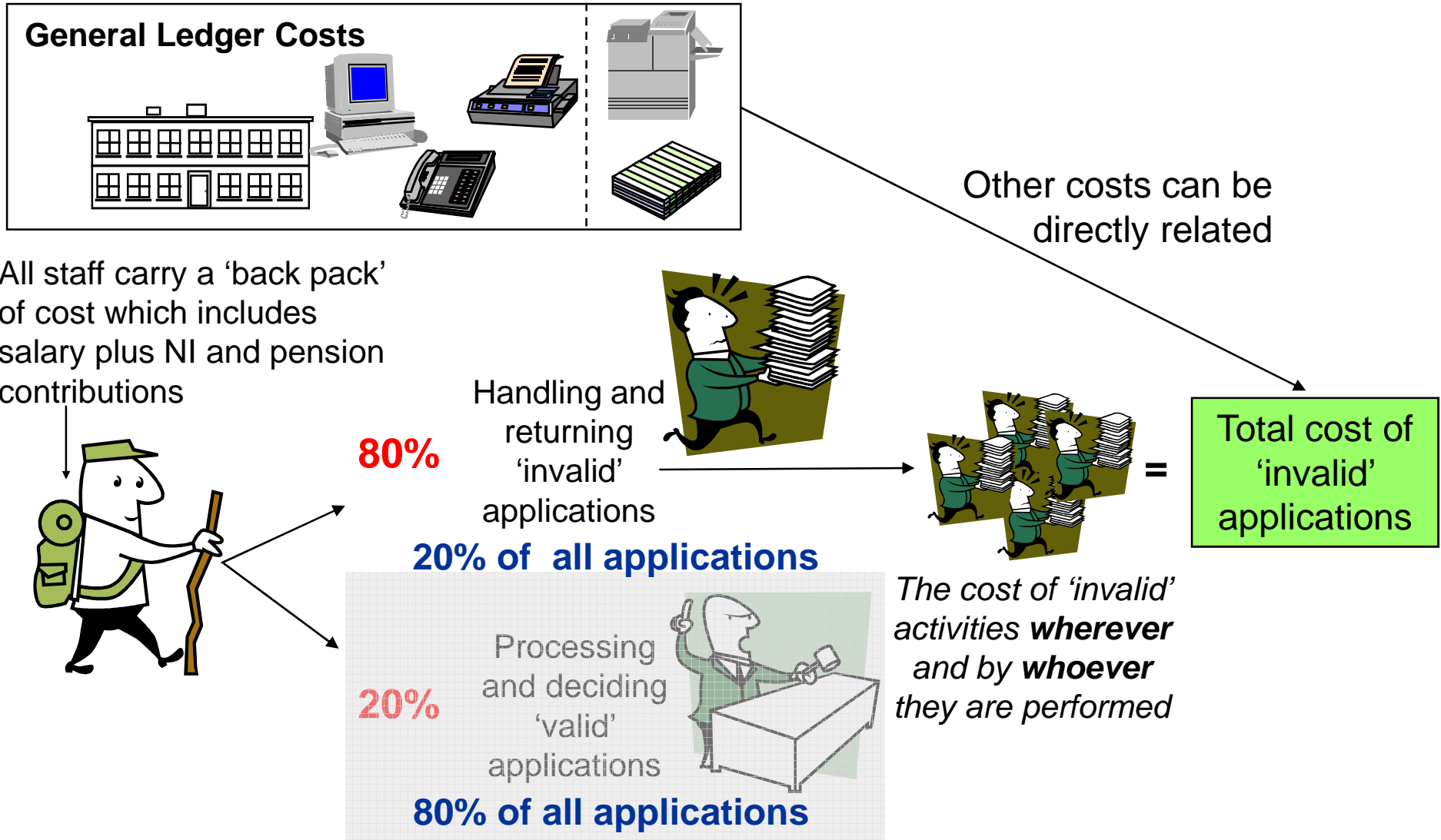
- Understanding costs has become **essential** in the current climate, but does not mean that broader improvement philosophies become redundant
- An alternative philosophy...

“If we meet customer requirements and properly appreciate our costs we can fully understand the benefits of proposed improvements and make better informed decisions”



Expensive may not be bad, cheap may not be good!

R-c ABC calculates process costs, but the specific costs of avoidable contact can also be quantified



If we know how many we process, we can calculate the cost per output

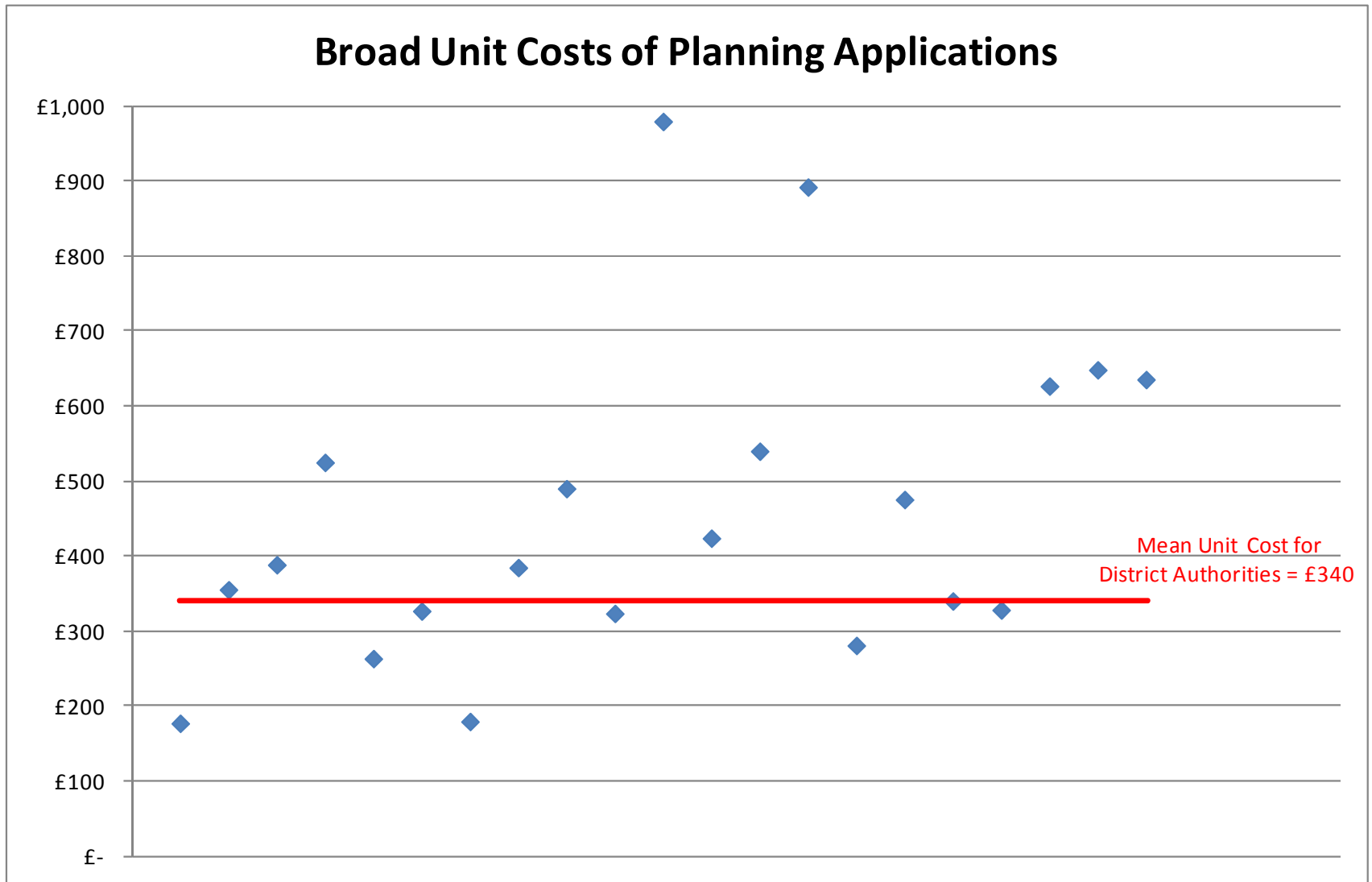


$$\text{Unit Cost} = \frac{\text{Total Process Cost}}{\text{Number of Process Outputs}}$$

$$\text{Cost per decision} = \frac{\text{Total process cost}}{\text{Number of applications decided}}$$

$$\text{Cost per invalid application} = \frac{\text{Total cost of invalid applications}}{\text{Number of invalid applications}}$$

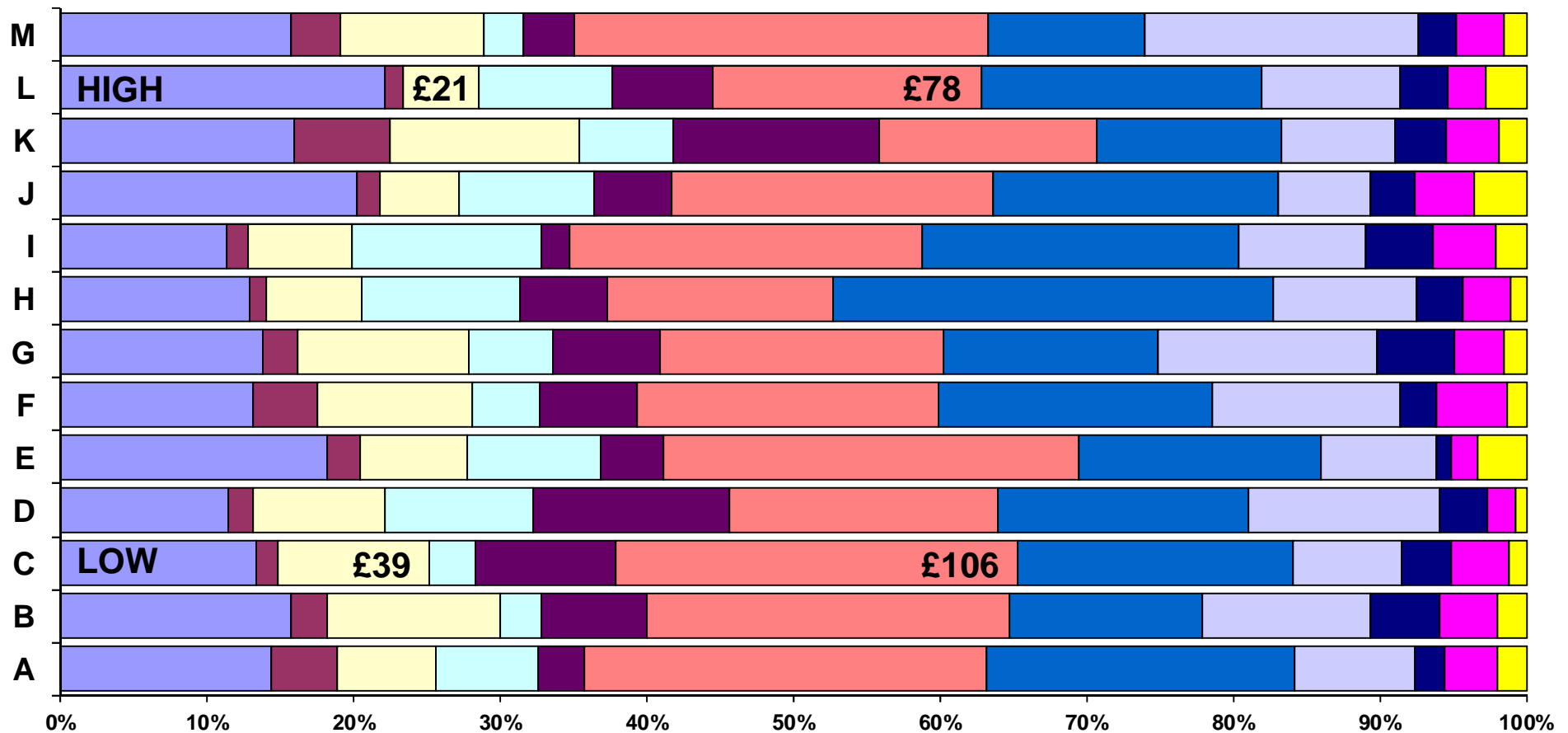
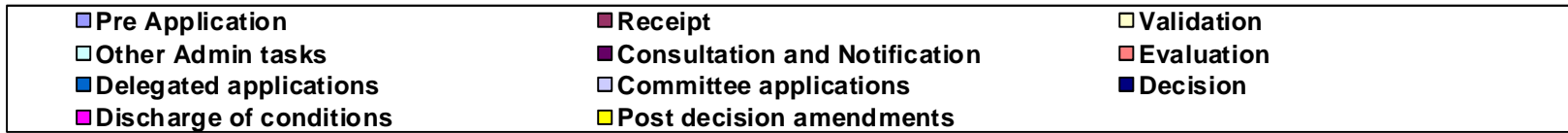
Unit cost calculations can facilitate benchmarking studies



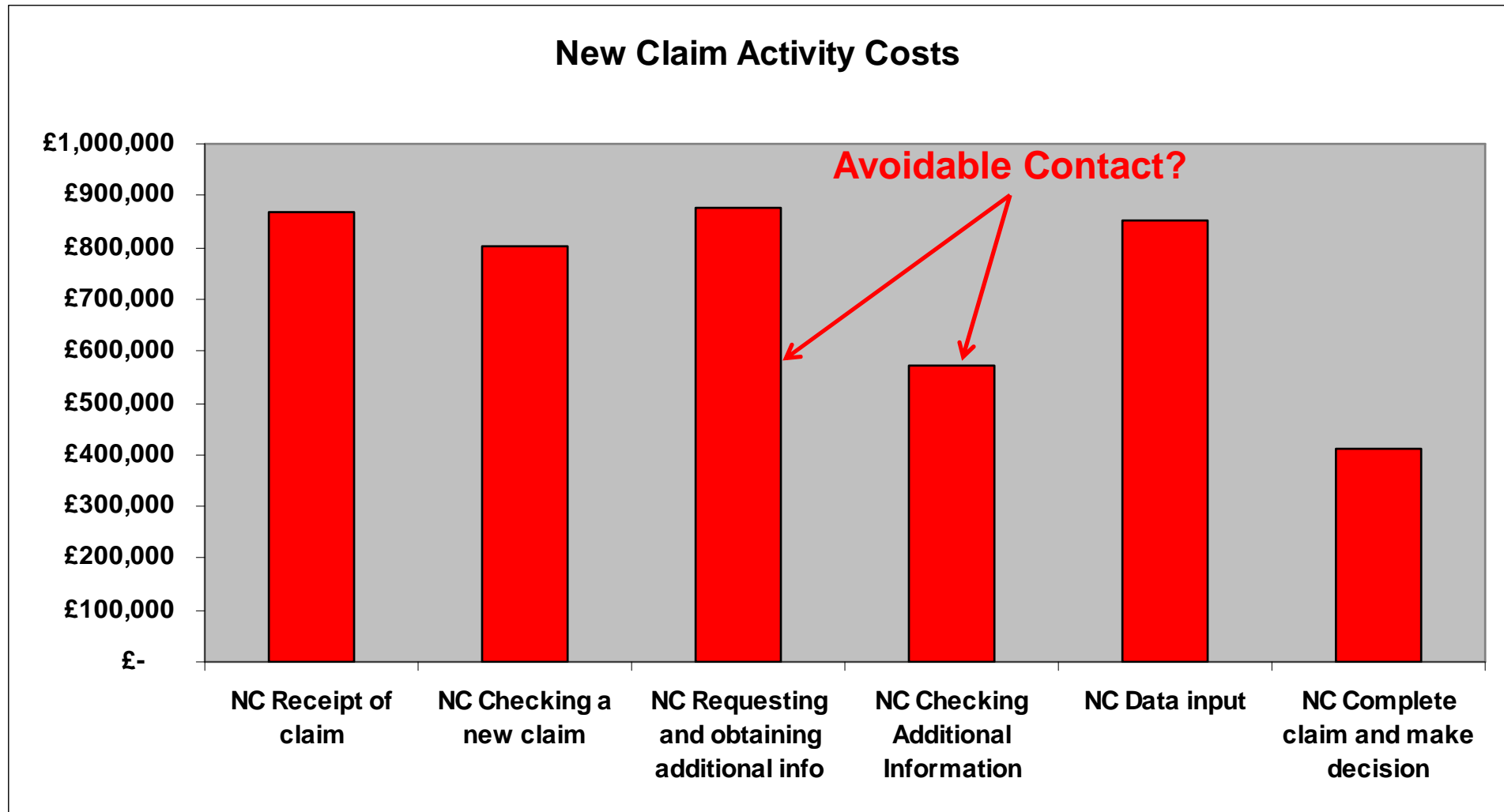
Investments in pre-application advice can reduce the costs of validation and evaluation



DC Sub Process Cost Profile



A study of seven councils showed the impact of missing information



Collecting time-based data from large numbers of staff can be time consuming



ABC - Control Panel - Windows Internet Explorer

http://www.azolve.net/Oldham/ControlPanel.aspx?modelID=1

Bank Of Scotland - Home - ABC - Control Panel

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Home ABC Logout Help

User Information

Username: ValueAdding Test User
Department: Administration
Working week: 5 days [change](#)
If this is not you please click [here](#)

Department Processes

-- Select a Process --

▶ Admin Pest Control	76%
▶ Admin Public Health	0%
▶ Admin Pollution Control	0%
▶ Service Request Pest C	0%
▶ Service Request AH	0%
▶ Admin Animal Warden	0%
▶ Admin Animal Health	0%
▶ Admin Environmental Action	0%
▶ Admin H & S	0%
▶ Admin Food Hygiene	0%
Total % 76	

Process: Admin Pest Control

Total Time Allocated: 76%
Total Time Unallocated: 24%

Admin Pest Control Activities: -- Select an Activity --

Activity Name	Time
▶ IT input - Inspections	25 Minutes per Day
▶ IT input - Service Requests	2 Hours per Week
▶ Paper based admin - Inspections	3 Days per Month
▶ Paper based admin - Service Requests	2 Days per Month
▶ Phone calls and E-mail - Service Requests	3 Hours per Day

Identifying a saving is one thing, realising the benefit is another...



Contact Centre		
Year 1		
Process Costs	Calls Received	Cost per call
£300,000	52,000	£ 5.77
Introducing web based forms for the public Predicted to reduce call volumes by 30%		
Year 2		
Calls Received	Cost per call	Process Costs
36,400	£ 5.77	£ 210,000

Is the concept avoidable contact more of a problem than first thought?



- The original guidance focussed on customers making contact with the council
- But what about customers being contacted by the council?
 - £100k savings at one authority from joint Food/Health & Safety inspections
- Or even contact between different individuals within the council?
 - A particular planning authority was checking and amending officer reports to the tune of £102k (5% of the staffing budget)

Avoidable Contact
=
Focus for Improvement
=
Performance Measure
=
Efficiency Savings

Service specific problems
↓
Mountains not molehills
↓
Visible improvements
↓
Benefits Realised

Thank You

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