De-engineering in the NHS

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In 1986 the Chrysler Corporation of the United States recruited Robert Lutz to be its executive vice president. Later he was appointed president and chief operating officer. In a recent lecture he explained to the Royal Academy of Engineering how he had turned round the fortunes of what had been an ailing and unprofitable corporation by a process of what he described as "re-engineering"—incidentally making its cash reserves exceptionally attractive to predators.

When he arrived he discovered innumerable "little bureaucratic empires," chock-full of what he called "redo loops—miscommunications, false starts, doubling back to do again what should have been done right first time because nobody really worked together as a team." He created four "platform teams" (one for each main vehicle type), each under a single leader. Each was encouraged to help leaders of the other teams in every possible way. Each team was encouraged to view its suppliers as true extensions of the company rather than as "generic interchangeable vendors" whose only purpose in life was to do what they

eral people in the employee's work group, not just by the individual's immediate boss.

Lutz set up special teams to examine the causes of delays in the gap between an initial order and final delivery. The process was re-engineered, reducing the gap from 68 to 37 days, on average. He is aiming to get it still lower, to 25 days. An example he quoted was to ensure that his company's railway carriers told their car haulers exactly when vehicles would arrive at a particular railhead, and then ensure that the vehicles were unloaded in a sequence which allowed car haulers to load vehicles efficiently on to their trucks. He also persuaded his accountants and auditors to report their quarterly results in 2-3 weeks instead of 4-6, thus releasing accountants to do other more productive work with their extra time. The *Economist* recently reported: "America has changed its methods of making cars . . . Chrysler is emerging as a star after narrowly escaping its second brush with bankruptcy.... Chrysler could be the most profitable car company in the world this year."

All this was described as "Re-engineering." As I listened to Lutz's talk, I was struck by many striking comparisons to be made between his approach to management in Chrysler and the diametrically opposite ideas which have recently been brought into the NHS. These could well be described as comprising "De-engineering." Instead of single administrative units cooperating in the delivery of patient care (we might call them hospitals, or—these days—"provider units"), forming part of a single organisation with the same objectives, the recent reforms have created large numbers of "little bureaucratic empires" competing for resources and status within hospitals. Hospitals themselves are competing with each other for resources, sometimes just for survival.

It is difficult to determine a fair "target cost" for a service or a part in the automobile industry. But note that Chrysler is not attempting to find this by competition between suppliers. Rather it has established friendly and mutually helpful dialogue between purchaser and provider. The new reformed NHS has gone the other way. Mutual trust and cooperation between general practitioners and hospitals, and between hospitals is withering in the new marketplace.

A few specific and common surgical operations such as herniorrhaphy, cholecystectomy, and coronary artery repair can be properly costed; but accurate costing is impossible for

most medical illnesses, especially those of old age. Not only is every patient different: length of stay in hospital depends as much or more on a patient's social circumstances as on the illness. It is ridiculous to waste time, money, and resources on so called "case mix" calculations to adjust budget allocations. There was a lot of inefficiency in the old system in which regions and districts were given a sum of money and encouraged to do their best with it. There was far too much power in the hands of hospital consultants and too little input from general practitioners and from the public, but at least everyone had a common purpose, and administrative costs were low. Without any administrative upheavals a Lutz-style attack on hospital waiting lists, and on delays in outpatients and accident and emergency departments could have saved—and can still save—resources, as a recent report from Wales has shown.

The new marketplace has filled hospitals and health centres with managers and accountants. As we know from the striking figures which Alan Milburn keeps extracting,

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were told to do. "We've totally scrapped the age old system of auctioning off contracts to the lowest bidder. Instead we set what we call a 'target cost' for any given part or component, and work closely with trusted, preselected 'suppliers-partners' to arrive at that target . . . not by cutting profit margins but by encouraging new ideas and rooting out waste and inefficiency.... The result is that our final costs are often much lower than in the old style auction."

Lutz insisted that his blue collar workers should be given much more autonomy than they had before and made it clear that their talents and ideas were valued at least as highly as those of white collar workers. He reduced supervisors in his plants from one supervisor for 25 hourly workers to 1 for 50; the figure is set to fall still further to 1 for 70. The self directed work teams develop their own work assignments, fix their own holidays, solve their own productivity problems, and train their own team members. Audit of individual employees' performance is carried out by sev-

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the ratio of administrators to health care workers increases apace. Instead of welcoming criticism from the NHS equivalent of blue collar workers—doctors, nurses, and paramedical staff—we have seen whistleblowers who have dared to point out failures of service or to suggest possible improvements savagely victimised. Naomi Craft in last December's *BMJ* listed 30 recent examples of secrecy surrounding health and NHS matters.

Unfortunately the "purchaser-provider split" seems to be becoming accepted gospel, even by the Labour party, as it considers alternatives to the present de-engineering which has characterised the new NHS. Bob Lutz has shown how an ailing corporation can be turned round by bringing purchasers and providers together as allies for a common goal, and by encouraging suggestions and criticisms from workers on the floor. Would he cost a lot?—JOHN DICKINSON is *emeritus professor of medicine, St Bartholomew's Hospital Medical College, London*