

Case Study

PSA – Government Agency Strategy

The Company

Government Agency Strategy – ‘Central Buying’ service. A Government Division of a Principle Government Department.

Purchases/ Sales : £212,900,000 Employment: 3277 staff

The public services agency came into operation on 1st April 1976 as a trading fund (Section 4 (1) of the Government Trading Funds Act 1973) for a larger Government Department whose history goes back several hundred years. Its function was to provide a wide range of goods and services to Government Departments, the Armed Forces, the Diplomatic Service, the Post Office and other public sector clients. Principle items sourced and supplied are furniture, furnishings, engineering equipment, domestic items and heating fuel.

The Challenges

The government had undertaken to consider new methods of staff involvement and communications. This specific agency volunteered to try the Team Action Management approach, to formulate objectives, targets and methods of assessing performance and to solicit views and ideas from staff members at all levels.

This agency was known to have a self motivated workforce, keen to do a good job; a high degree of experience and expertise in stores and purchasing; a good relationship with suppliers; and ready availability of technical advice.

Key problems the company faced were ... threatened staff reductions was affecting morale; antiquated and inflexible procedures; Resources; particularly staff, not under direct control of managers; tendency to avoid innovation and rely on existing procedures; difficulties in defining optimum targets and to measure performance of staff in achieving them; communications and organisational difficulties caused by separate locations of significant parts of the Division.

Board Decision

On the 27th of January 1982 the Chief Executive of the Department along with his controllers and assistant controllers invited Humphrey to give a presentation of Team Action Management, explaining the process, and how it would make possible the improvement of overall productivity and effectiveness of a Government Agency. The presentation was not successful. All in attendance, save one, was negative, bordering on hostility, to the idea of a disciplined team approach to improve performance. There was a ‘high level of cynicism’ reported among the controllers.

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A month later, on the 4th of March the assistant controller (Purchasing) invited Humphrey to discuss the application of Team Action Management in his own area. An agreement to run a trial of the programme was made.

The planning group would consist of the senior purchasing and stores managers with the assistant controller acting as the group chairman. The objective was to evolve 'what amounted to a corporate strategy for the Purchasing and Distribution function'.

Key issues were published

1. TAM to undertake an investigation of operations to give the opportunity to deploy the intellectual capabilities of top management.
2. Avoid any loss in short term efficiency due to the top management team being taken out of action for the space of one week.
3. During the session to define what we should be doing in the future and how we can best achieve it.
4. Formulate aims, targets and methods of assessing performance to which the whole of the purchasing and distribution organisation can be shown to be committed.
5. Produce a practical, implementable corporate strategy for the purchasing and distribution function, fully programmed in relation to its achievement by stages, and fully costed, where appropriate, in defined resource cost terms.
6. Give consideration to organisation, but most important to define what we should be doing and why, what standards we should aim at in doing it, how we can measure our success in achievement, and what we need to enable us to achieve our aim.
7. Consider level of capital investment necessary to significantly improve performance.
8. In such a complex area as the public sector there are many resources over which we do not have direct control. In such cases we shouldn't be afraid of pointing out where the optimum solution lies; the present climate of opinion is perhaps more in favour of radical change than it has been for two decades. Our ability to achieve radical improvement may well be much greater than appears at first sight