



**Item 3 Organisation review report CEC(94)03**

- 3.1 CEC welcomed John Denham, Madeleine Nicholson and Brian White who reported back the results of their data gathering exercise on the effectiveness of the implementation of our new organisation.
- 3.2 CEC were reminded of the objectives of the organisation review, the critical success factors and measure originally agreed by the organisation review steering group.
- 3.3 CEC noted the methodology adopted by the organisation review team which was based on individual interviews with over 400 staff, focus groups, the output of the business leaders workshop in November, questionnaires from front line staff, monthly reports from business unit leaders, detailed systems analysis and individual cases and correspondence received by the review team.
- 3.4 The process adopted by the team was to carry out a preliminary sortation of over 1500 different issues - many not at all related to the organisation review. By use of affinity diagrams the team identified 17 key issues and using cause and effect, an interrelationship diagram and tree diagrams, related the issues to the objectives for the organisation review. CEC noted the complexity of the issues identified and the elaborate interrelationship between issues.
- 3.5 The 17 issues are:
- computer systems not believed to be supporting the new organisation
  - computer systems not delivered
  - varying level of computer support for users
  - significant weaknesses in the management of data and information
  - difficulty in developing a transfer pricing policy and mechanism
  - factors inhibiting the introduction of retail focus
  - lack of commitment to profit accountability

- lack of understanding of the management process
- lack of consistent leadership behaviour
- barriers to empowerment
- no service level agreements in place
- weak management of expectation against delivery
- lack of ongoing systems standards and or adherence to standards
- inadequate training provided
- lack of appropriate skills and experience
- inappropriate resourcing levels
- lack of acceptance and clarity of roles and responsibilities

- 3.6 Of the 17 issues four have not been developed further for the moment these are:
- no service level agreements in place
  - inadequate training provided
  - lack of appropriate skills and experience
  - weak management of expectation versus delivery.
- These elements are outside of the objectives set for the review of our organisation.
- 3.7 CEC noted that the issues identified did not carry equal weight since the findings were largely based on qualitative feedback.
- 3.8 CEC noted the sub issues which contributed to each of the 13 areas described in detail by the review team. Approaches to resolve the issues were also suggested.
- 3.9 In discussing each issue the following points arose.
- 3.10 The factors contributing to inconsistent strategic direction were actually about leadership behaviour and this should be noted for future communication.
- 3.11 An alternative approach to resolving the issues around transfer pricing would be to replace the system with a process more in keeping with activity of other retailers.
- 3.12 The factors contributing to lack of understanding of the management process were also about acceptance of the new process. For example in some activity the role being played by head office direct reports was akin to that of a line manager. This appeared to be at odds with the management process.

- 3.13 The biggest area of concern was around roles and responsibilities. Resolution of many of the other factors would in turn contribute to the clarification of roles and responsibilities in general.
- 3.14 CEC noted the template issues that had been identified in the feedback. These were reported as being insufficient in the areas of agency training, audit and in posts supporting the management of information. In addition it was noted that feedback suggested the structure - that is the balance of resources between business units in the areas of personnel, finance, distribution and retail were inappropriate.
- 3.15 CEC agreed that it was important to get the balance right between what the feedback reported and the appropriate allocation of resources from the business perspective.
- 3.16 CEC agreed that it was important to ensure that best practice between units is shared before increases should be made to template numbers.
- 3.17 CEC noted the systems issues and the proposed approaches to resolve them. Many of these are within the finance area but in some cases systems are completely lacking for example QPA monitoring.
- 3.18 CEC noted the review team's recommendation that each region be equipped with a computer manager.
- 3.19 CEC agreed that directors should take ownership of the key issues identified. The organisation review steering group would be resurrected for the time being to prioritise the activity that needs to be undertaken and quickly drive through any changes.
- 3.20 Richard Dykes will take the first steps in prioritising the issues, suggesting allocation of ownership and setting out the role of the revised organisation review steering group. The way the group manages itself needs to be consistent with our new management process. Richard Dykes and John Denham
- 3.21 CEC members raised their own areas of concern that had not been highlighted in the report back. These were:
- the balance between support work and line responsibilities for retail network managers

- distribution
- congruence between data gathered for this exercise and that input to the Customer First workshop
- allocation of offices to retail network managers
- financial management within and between business units

- 3.22 CEC agreed that communication on this would be expected by staff. For the moment the notes would communicate the results of the discussion to business leaders. Once the organisation review steering group had reconvened and prioritised the issues to be tackled a wider communication could be made along the lines of the updates issued as the organisation was being implemented. This would take place very quickly.
- 3.23 CEC thanked John Denham and his team for their feedback.

Richard Dykes  
and John  
Denham

**Item 4 Pay tactics for 1994 CEC(94)02**

These notes are circulated only to those present for the debate.

- 4.1 CEC welcomed Paul Zealander and Mike Granville. The debate concentrated on whether 2% should remain the ceiling for pay negotiations in 1994, taking into account the risks of the lottery negotiation, our commitment to developing a commercial partnership with agents, possible industrial action by the UCW and our commitment to improving staff attitudes.
- 4.2 CEC noted the changes in Government attitudes towards pay - that is - there should be no effect on overall productivity.
- 4.3 CEC noted that the full year RPI assumption was 3% and the operating plan and budget assumes a settlement 1% below RPI.

- 4.4 CEC agreed that 2% is what can be afforded and this should be assumed to be the ceiling. However pressures such as the lottery negotiation, or from board to settle in the likelihood of a dispute could be major and therefore a contingency should be provided for. A further £4 million could mean that any spot RPI figure could be matched which is likely to be the figure favoured by the union negotiator. This contingency should be available for both staff and agents although need not be used equally between each settlement.
- 4.5 CEC agreed that approval of these pay tactics should be sought at the budget meeting with Bill Cockburn on 7 February rather than through the formal Post Office Executive Committee process.
- 4.6 CEC noted that Bob Peale will be seeking negotiating authority prior to the negotiations taking place.
- 4.7 CEC noted that long term pay strategies would be discussed at CEC in the near future.

**Item 5 Business performance and the Operating Plan and Budget**

- 5.1 CEC noted Roger Tabor's presentation outlining our current position. The variance between profit reported to POEC and that forecast by business units was £9.5 million adverse.
- 5.2 CEC noted the position of the operating plan and budget and the action taken to satisfy the requirements of the Chief Executive. An expenditure gap of £19.6 million remained. Directors would meet separately to agree how this gap would be closed.
- 5.3 CEC agreed that the roll forward base used to settle this year's difficulties could not be used again in subsequent years since it does not reflect accurately the basic operating cost of our new organisation.

**Item 6 Leadership feedback**

- 6.1 Due to time constraints it was not possible to discuss this item. This will be discussed during the next opportunity at a prayer session.

Richard Dykes

**Item 7 Communication**

7.1 Performance for 1993/94 should be communicated to business unit leaders through circulation of slides presented at the meeting and by a covering note from Roger Tabor

7.2 Progress in settling the operating plan and budget should also be communicated to business unit leaders as soon as possible. Roger Tabor

**Item 8 Other Business**

8.1 CEC noted Richard Dykes' report on the outcome of the recent POEC meeting.

POEC expect firmer forecasts from the businesses on financial performance next time. There was a concern on how volume for Girobank and Parcelforce business was calculated, given the recent changes reported. There was concern over how much all of the businesses spend on publications. In particular it has been suggested that Post Office Counters' review and accounts be a strongly branded part of the corporate publication rather than a separate document.

8.2 CEC should feed their comments on the proposal for this year's business plan document to Scott Duncan by 4 February 1994. CEC members

8.3 To ensure that CEC members are using their time effectively, Ben Callan will be interviewing each member and suggest improvement for the CEC as a team.

8.4 Mike Flanagan will be nominating representatives to sit on the focus groups testing the ideas resulting from the supply chain review.

**Item 9 Review of meeting**

**9.1 positive**

- topics this time were very interesting
- inputs were of a very high quality and professionally delivered
- the finance presentation was spectacularly lucid

**9.2 improvement opportunities**

- not all the items on the agenda were covered
- the process of having authors of papers present was very effective and this should be encouraged.