Background

South Ceeland Trust (SCT) is the NHS trust for the fictitious local geographical area of South Ceeland in the UK. SCT is responsible for the provision of all health facilities in the geographical area of South Ceeland. SCT manages 3 hospitals as well as local doctors’ surgeries and other health service facilities.

SCT covers several cities and towns as well as rural areas, which has a total population of around 300,000 people. SCT employs 2,300 people including doctors, nurses, technicians and administrative support staff in a variety of locations.

SCT is funded principally from central government but it also receives some funding from charitable organisations. SCT received funding from central government last financial year for operational costs of around £200 million. In addition, it was successful in receiving funding from central government for specific capital expenditure projects, covering building new medical facilities as well as the refurbishment of existing medical facilities.

In the last 10 years, there has been pressure on the funding available for operational costs. All NHS trusts have had to make difficult decisions on how to reduce their costs without significantly affecting the quality of services provided.
New funding cuts
SCT have been informed by central government that it must reduce its overall budget for operational costs by 3% each year for the next 3 years. This is due to commence from April 2017.

Therefore, SCT must review all areas of service provision to identify how and where it could make the required cost savings. The 3% operational budget cuts, effective from April 2017, represent total operational cost savings that need to be made, amounting to £6 million each year for each of the next 3 years. It is possible that cuts will be required beyond this 3 year period also, but that has not yet been announced.

The imposition of 3% budget cuts for operational costs for the next 3 years by central government will require many changes in SCT, including a move from its traditional bureaucratic culture to one in which decision making and leadership will need to be distributed throughout the organisation. Currently within SCT, management and decision making is often complicated and longwinded, having to go through many different levels of authorisation. Additionally, many of SCT’s employees have only ever worked for SCT or within the public sector and are fearful of change.

Appointment of a new Chief Executive
SCT appointed a new Chief Executive earlier this year, who had most recently worked within the private sector. Since the appointment of the new Chief Executive, he has attempted to make a number of changes to the organisational culture and structure of SCT, in order to facilitate the changes he considers will be required over the next few years to meet the required cost savings.

The new Chief Executive has recently communicated to all employees of SCT a proposed plan covering 3 areas to assist in the delivery of cost reductions each year:

1. Efficiencies through joint working with private sector partners (for example, in the delivery and management of re-cycling and waste management facilities).

2. Management and staff savings through redundancies.

3. Service reductions (for example, the closure of some smaller local medical facilities, with concentration of larger medical practices in all of the towns).

Many of SCT’s employees are concerned about possible redundancies and the local press have picked up the story of the proposed planned reduction in local services. This has resulted in concerns by SCT’s employees and also SCT’s local community regarding the effect that possible cost cuts could have.

The Chief Executive of SCT considers that it is important to involve both SCT’s employees and the community in the process of change, in order to deliver the changes successfully.
Change management techniques

There are a range of widely used change management techniques used in the private sector for helping companies and organisations to bring about change. The technique that the new Chief Executive plans to use is Kotter and Schlesinger’s approach to change with comprises 6 ways to deal with resistance to change, which are:

1. Education and participation – this is used where there is a lack of, or inaccurate, information and analysis about the proposed changes, and usually involves briefing meetings and distribution of information to all employees (often by email) setting out clearly what the proposed changes are so that everyone can be informed. This helps to prevent incorrect rumours spreading.

2. Participation and involvement - this is used where employees do not have all of the information to bring about change and where others have the power to resist change. It is important to involve the employees’ Trade Unions in all participation and involvement.

3. Facilitation and support – this is used to help overcome resistance from employees due to adjustment to change problems.

4. Negotiation and agreement – this is suitable where one group of employees lose out and has the power to resist the change.

5. Manipulation and co-adaptation – this can be used where other tactics for change will not work or are too costly to implement.

6. Explicit and Implicit coercion – this can be used where speed of change is essential and the initiator of change (such as the new CEO) possess considerable power.

Proposal to introduce a new treatment machine

A leading national charity has approached SCT with a proposal to install a new machine in each of SCT’s 3 hospitals, following considerable favourable publicity over the successful use of the new technique for the treatment of a specific type of cancer. Some other UK NHS trusts have already installed these new machines and have achieved very good results with a much higher survival rate and often it has resulted in fewer surgical operations.

The national charity is willing to finance 75% of the purchase cost of the 3 machines, which cost £12 million in total. This will result in SCT paying just £3 million towards the capital cost of these 3 machines. The management of SCT considers that the central government would approve this relatively small capital cost, especially as it helps to deliver savings in operational costs.

SCT’s management consider that these new machines could result in considerable savings in operational costs as each patient would require just one session with a higher dose of treatment and it may also lead to a reduction of surgical operations and patients requiring a hospital bed for an average of 1 week per patient. Fewer radiologists, nurses, health care assistants and administrative support staff will be needed as each patient will attend hospital for just 1 treatment session rather than 20 sessions currently.

There are currently around 140 employees directly involved with the current treatment process for this specific type of cancer. It is forecast that the use of these new machines could improve the quality of patient treatment and long-term outcome and also deliver budget savings of around £3.0 million each year. This assumes that 100 employees are either made redundant or moved to other areas of SCT where there are vacancies.
How to proceed with change management in SCT

You are the Management Accountant for SCT. Your line manager is the Finance Manager who is working closely with the CEO to find ways to deliver cost savings of £6 million each year for the next 3 years. This is roughly the equivalent of reducing the number of employees in SCT by 200 employees in total, depending on employees’ qualifications and pay grade. The principle way that they can make savings is to reduce the number of employees.

However, most of the senior management of SCT and all heads of hospital departments do not like having to make changes and they do not wish to reduce services and make any of their employees redundant.

Requirement

You are the Management Accountant for SCT.

Your Finance manager has asked for your advice on the following, using the information provided in the scenario:

1. Recommend 4 ways in which the Kotter and Schlesinger change management model could be used to assist SCT in bringing about the changes required, in order to deliver operational cost savings for the next 3 years.

2. Recommend whether the new treatment machines should be introduced in SCT or not and give 2 justifications for your recommendation.

3. Recommend 3 ways in which SCT could help deliver the required operational cost savings over the next 3 years.
Consultancy advice for NHS Trust: SCT

As the Management Accountant working for SCT, my recommendations are:

Recommend 4 ways in which the Kotter and Schlesinger change management model could be used to assist SCT in bringing about the changes required, in order to deliver operational cost savings for the next 3 years.

1. 
2. 
3. 
4. 

Recommend whether the new treatment machines should be introduced in SCT or not and give 2 justifications for your recommendation.

5. 
6. 
7. 

Recommend 3 ways in which SCT could help deliver the required operational cost savings over the next 3 years.

8. 
9. 
10.