Rail Industry EFQM Review
December 2010

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Contents

1. Executive Summary

This report contains the findings of an EFQM review of the GB rail industry conducted in August and early September 2010.

Following the structured gathering of evidence it finds that there have been significant improvements in the performance of the rail network and this has led to the increased satisfaction and improved experiences of rail customers.

The performance of the rail industry however is sub-optimal as there is no unifying leadership, and consequently there is no aligning vision or coherent long term strategy, which undermines the focus on costs and cost reduction, and makes it extremely difficult to address value for money imperative.

The true cost of, and benefit in, having a rail transport network are not well understood. The lack of coherent leadership, poor collaboration and general distrust impairs the ability of the industry to improve at the rate that funding pressures will dictate.

There is a tension created by the different time horizons viewed by organisations within the industry and their individual competing interests which inhibit progress.

Suspicion and distrust of each other hamper organisations' intent to work in a true spirit of collaboration and partnership, although there is evidence of good co-operation at 'local' levels.

There are recommendations for:

- The establishment of clear rail industry leadership
- The subsequent development of a long term strategy and clear definition of value for money for rail.
- Putting the customers at the heart of decision making.
- Stronger requirements/incentives for organisations to work in partnership.
- Establish a period of planned change leading to industry stability

The report concludes that there is evidence of continuous improvement but there is the opportunity to achieve so much more.

Investors in Excellence would like to thank the individuals and organisations who supported this review with their time and knowledge, and for their open and honest input. This is testament to their passion for and commitment to making the industry excellent.

2. Introduction to the Assessment

In December 2009 the Secretary of State for Transport and the Office of Rail Regulator (ORR) announced a joint value for money study of the rail industry. As a part of this review it was decided to conduct an industry-wide assessment using the EFQM Excellence Model.

The purpose of this paper is to detail the assessment methodology and provide the analysis, key themes and recommendations resulting from the evidence gathered.

The scope of evidence gathering has been framed by the timescales required to support the wider study and the confidentiality restrictions applied by data owners.

2.1. Objectives of the assessment

The objectives of the whole rail industry EFQM assessment were to:

    a. Identify gaps in organisational and industry processes, particularly around industry leadership and planning and decision making.

    b. Identify the key reasons for any gaps.

    c. Identify potential solutions to any gaps.

There was also a supplementary requirement, if possible, to identify potential answers to the following questions:

    a. Are the right organisations leading or involved in decisions?

    b. Are the roles and responsibilities of organisations correctly defined? Do individual organisations have the correct governance arrangements?

    c. Who drives and can make changes to the current regime?

    d. What is the level of collaborative or partnership working?

    e. How do current mechanisms impact on value for money e.g. in procurement, continuity of demand, specification?

    f. Is there adequate focus on both the short and long term?

Work commenced on the assessment on 9th August 2010 with a schedule requirement to complete early September 2010.

This report of Whole Rail Industry EFQM assessment is supported by three supplementary reports of the evidence gathered:

- EFQM Assessment Feedback Report Network Rail, August 2010
- EFQM Rail Review, Workshop Output, September 2010
- EFQM Rail Review, Interview Responses, August / September 2010
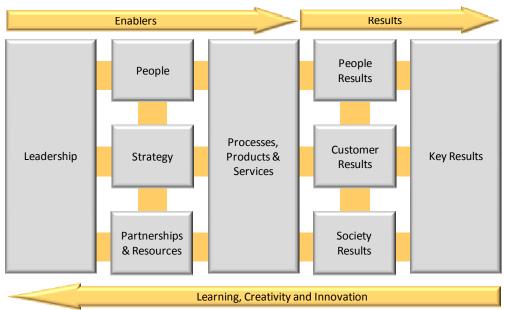
3. EFQM Excellence Model

The EFQM Excellence Model is a non-prescriptive framework that enables organisations to assess where they are on a journey to excellence, enabling them to understand their key strengths and potential gaps in achieving their vision and mission.

The core philosophy of EFQM Excellence is captured in the Fundamental Concepts of Excellence, whereby organisations should:

- Achieve balanced results
- Add value to customers
- Lead with vision, inspiration and integrity
- Manage by process
- Succeed through people
- Nurture creativity and innovation
- Build partnerships
- Take responsibility for a sustainable future

The way to assess an organisation, and in this case an industry, wide review is through the lens of the EFQM Excellence Model.

There are nine criteria to the EFQM Excellence Model. The first five criteria are enabling criteria and deal with what an organisation does, how it goes about its business and the remaining four criteria are the results that the organisation achieves.

EFQM Excellence Model 2010 copyright EFQM

Excellent organisations will have developed enabling activities that have been subject to review and improvement and that are clearly the causal factor in the excellent results that are being achieved.

The EFQM Excellence Model is also supported by the RADAR scoring system. The RADAR framework consists of:

- Results
- Approach
- Deployment
- Assessment
- Refinement

Using a RADAR scoring approach enables an organisation to receive a score ranging from 0 at the lowest level to 1000 at the maximum. Currently truly world-class organisations will score in the region of 750 points with scores of 450-plus associated with good organisations, committed to excellence and on a journey of planned improvement.

There has been a significant importance placed on EFQM Model analysis and assessment within the rail industry. Led by Procurement at the Department for Transport there has been the development of a rail industry based EFQM assessment approach, and a requirement for franchisees to conduct an EFQM assessment. Part D of new franchise accreditation questionnaire requires a 50-page evidence document as part of their bidding process, a document similar to those used in the EFQM-based Quality awards programmes.

Increasingly, Train Operating Companies in particular have extended their commitment to the excellence agenda and have worked towards and achieved the Investors in Excellence Standard.

The EFQM Model is designed as a model for organisational excellence, believing that "*Excellent organisations achieve and sustain superior levels of performance that meet or exceed the expectations of all their stakeholders*". This assessment will use the EFQM Model to reflect on an industry, a wider application than a single organisation, but a scope that the core philosophies remain pertinent to.

The EFQM Excellence Model is itself subject to review and refinement, the latest of which has given rise to the EFQM Model 2010. To adhere to the current iteration of EFQM Excellence this assessment has been conducted using the EFQM Model 2010. Note will be made where evidence sources were originally created using previous versions of the EFQM Model.

4. The Assessment Methodology

The Department for Transport identified three distinct evidence bases to inform the assessment and analysis:

- EFQM Assessment of Network Rail
- Existing EFQM assessments undertaken by train operating companies
- Identification of Industry issues through workshops and interviews

4.1. EFQM Assessment of Network Rail

Network Rail has no prior experience of working with the EFQM Excellence Model and has never undergone an EFQM style assessment. Given the challenging timescales for the review, an approach to assessment was developed with Network Rail that would enable the gathering of evidence, but without the delay of the completion of an accompanying assessment document typically associated with the EFQM process.

The approach adopted was to timetable a comprehensive set of interviews with subject matter experts from Network Rail. The Network Rail contributors were aligned against the criteria of the EFQM Excellence Model and prepared a presentation of the criteria evidence for discussion.

The interviews followed a discussion and challenge process. Challenge was made to the provenance and rationale of the approaches, and to the extent of their deployment. Challenge was also used to investigate any causal relationships in improved results.

Following the gathering of evidence, an EFQM Model 2010 feedback report was produced identifying key themes, strengths and areas for improvement. Network Rail is to be thanked for the resources it deployed in enabling a substantial evidence-based assessment at relatively short notice.

The time constraints on the assessment process impacted the way in which Network Rail's evidence was presented i.e. not as a single application document, and consequently the feedback analysis contained in the Network Rail EFQM Assessment Report is at a thematic rather than detailed level.

It is strongly recommended if the use of EFQM within the rail industry continues that Network Rail adopt a similar assessment process as other rail industry bodies, to enable full commonality of approach. The assessment could be aligned to become an input document for the negotiation of new Control Periods.

The full output of this assessment is contained within the document:

- EFQM Assessment Feedback Report Network Rail, August 2010

4.2. Existing rail company EFQM assessments

A large body of rail industry specific EFQM assessment evidence and data exists in the form of the EFQM application documents, resulting feedback reports and scoring profiles from the train operating companies undergoing assessment as part of the franchise process.

It had been planned to conduct a review of the EFQM feedback reports in particular to extract key theme strengths and areas for improvement identified from those studies.

Regrettably, because of the time constraints, and in particular, the confidentiality issues of train operating companies, access to this data source was not achieved. DfT were not prepared to issue the reports without train operating company permission and there was a clear reluctance amongst the companies contacted to give this permission.

Some organisations were willing to share their EFQM-based evidence documents, rather than the feedback report. These were:

- First Group response to accreditation questionnaire for Greater Anglian Franchise
- DB Regio UK response to accreditation questionnaire for Essex Thameside Franchise
- Virgin Rail response to accreditation questionnaire for New Cross Country
- Stagecoach Group response to accreditation for Greater Anglia

These documents were reviewed and the few industry key themes that were apparent included within this report.

It is recommended that an analysis of the operating company feedback reports be conducted at a later date as they will contain valuable industry information.

However the DfT were able to share the anonymised scores from the EFQM-based accreditation questionnaires from franchise bids.

There are 57 individual sets of scores within the dataset at the nine box resolution of the EFQM Model. The assessments cover the years 2003 through to 2010, but with no assessment scores for years 2004 or 2009 due to no franchising activity.

Across the whole dataset the highest recorded score was 630 points and the lowest 152 points, as calculated using the 2003 EFQM Excellence Model. The dataset was analysed using the statistical analysis software Minitab v15.

4.3. Identification of industry issues through workshops and interviews

In order to gain direct industry feedback and perceptions, a series of telephone interviews and workshops sessions were conducted.

Through liaison with DfT a range of individuals and organisations representing a broad cross-industry representation were identified and then contacted to request their contribution.

Although the timescales were very short, and the review took place in the middle of the peak holiday period, organisations went to considerable lengths to ensure representation of their views either at a workshop or through telephone interview.

The structure of these interventions was agreed with DfT and were based around the five enabling criteria of the EFQM Excellence Model. The workshop questions were sent to attendees in advance of their sessions.

The workshops took the form of a facilitated discussion, using the areas for discussion as a guide, but allowing attendees to discuss and debate other issues as they arose under the headings of:

- Leadership
- Strategy
- People
- Partnerships and Resources
- Processes

At the end of the workshop delegates were asked to reach a group consensus position using the EFQM Lite tool. EFQM Lite is a high level diagnostic that asks for an assessment of current performance against the nine EFQM criteria e.g.

EFQM criteria	Perception of Performance
1; Leadership: *Excellent organisations have leaders who shape the future and make it happen, acting as role models for its values and ethics and inspiring trust at all times. They are flexible, enabling the organisation to anticipate and react in a timely manner to ensure the ongoing success of the organisation.*	- No, not yet - Yes, but… - Yes, and … - We do and our stakeholders recognise us as improving - We are a recognised role model for a culture of excellence

The two workshops were held in London and the Midlands. The London workshop was facilitated as two separate groups because of the numbers of delegates attending. The groups were brought back together at the end for final comments and a whole group consensus on the EFQM Lite diagnostic.

The Midlands workshop did not have DfT representation.

To ensure as wide a perception capture as possible and to overcome the challenges of holiday period and short timescales for the workshops, a number of telephone interviews were conducted.

The interviews were framed around the same EFQM-focused areas for discussion as had been used at the workshops.

Industry representatives were found to be supportive of the assessment and the Value for Money study. Those involved are to be commended for supporting the process with their time and for their honesty and openness in providing feedback.

The full outputs from workshops and interviews is contained within the documents:

- EFQM Rail Review, Workshop Output, September 2010
- EFQM Rail Review, Interview Responses, August / September 2010

5. Industry level EFQM Model Feedback

Feedback is provided on the enabling criteria of the EFQM Excellence Model. The feedback presented draws on evidence, key themes, strengths and improvement opportunities from across the whole evidence base gathered as part of this review.

5.1. Leadership

"Excellent organisations have leaders who shape the future and make it happen, acting as role models for its values and ethics and inspiring trust at all times. They are flexible, enabling the organisation to anticipate and react in a timely manner to ensure the ongoing success of the organisation."

- There is evidence of a perceived lack of a clear single leader or leadership body within the industry. A variety of organisations and roles are identified - DfT, Network Rail, ORR, and the leaders of the large train operator owning groups and freight operators were identified. It is generally held that DfT is in a position to drive and make change to the current regime, together with the Secretary of State for Transport, but that this tends to detract from industry responsibility and leadership.

- There is evidence of a perceived lack of a shared leadership culture within the industry. This is felt to be the result of the structural complexity of the industry rather than an issue of personal effectiveness.

- In terms of defining and communicating clear direction and strategic focus, it is perceived that the lack of a clear leader or leadership body resulted in a lack of clarity about what the industry is trying to achieve.

- There is evidence that the 'style' of leadership provided by DfT is perceived to be focused at too detailed a level – more tactical (sometimes political) than strategic. Examples cited include the level of detailed requirements in contracts, involvement in procurement and change of direction on electrification.

- Leaders' ability to create a culture of trust and openness is perceived as an area for improvement. A distinction is drawn between individuals developing positive relationships 'to get things done' and the lack of alignment of incentives hampering trust at a more general level.

- It is acknowledged that the industry is capable of "coming together very well in times of crisis" and where there is a clear and shared vision.

- There appears to be a general consensus that decision making at leadership level is slow, due to the processes for consultation and the sheer number of bodies involved in the processes. Comments were made about the impact this has on time and resources across the industry as a whole. It was also highlighted that some changes are irrelevant by the time the process has been completed.

- The time taken for decision making, and the level of detail included in contracts were cited as disincentives to the generation and development of new ideas and new ways of thinking.

- There is evidence of a clear approach to consulting with stakeholders, though the number of stakeholders involved and the nature of some of the changes consulted on are perceived as making the process too time consuming and resource hungry.

- There is evidence of the industry's culture being perceived by stakeholders as risk averse.

- There is evidence of a perception that Trade Unions are a barrier to improvement and that the support from the highest level to afford change is lacking. The example cited was of an operating company that sought to provide a seven day railway service. The need to change terms and conditions and the high costs highlighted the lack of return on investment, though the operator would have "pushed the issue harder if supported by the Government".

5.2 Strategy

"Excellent organisations implement their mission and vision by developing a stakeholder focused strategy. Policies, plans, objectives and processes are developed and deployed to deliver the strategy."

- There appears to be a generally-held consensus of opinion among those involved in the review that there is a lack of a coherent strategy for the industry.

- The 'politicisation' of the railway clearly impacts on the ability to develop an enduring vision, though investments in technologies and the industry's assets are long ranging. This is regarded as a significant impediment to investment. Examples were cited of 'retro fitting' changes to equipment that could have been built in, and the subsequent additional costs to the industry.

- There is evidence of a lack of alignment of the core purpose and objectives of different organisations within the industry, though the RUSs provide an example of organisations working together to develop 'lower level' strategies.

- There is evidence of misalignment of incentives. This is particularly evident in the shorter term awards of franchises.

- There is a perceived lack of sufficient balance between the short and long term in planning, with a bias towards short term focus. The Planning Ahead document, and Route Utilisation Strategies were cited as positive frameworks but longer term planning was felt to be hampered by the political sphere. The franchise model is seen to encourage a short term view.

- Leaders of TOCs were acknowledged as understanding the needs and expectations of passengers very well. However there is a perception that the TOCs ability to deliver innovation to customers is hampered by the "restrictive" nature of contracts and the way they describe the requirements. For example, by stating requirements for manned ticket offices at stations rather than the provision of information and tickets.

- The Excellence Model makes linkages between vision and strategic goals and the key results required to deliver it. The perceived lack of a clear direction makes it difficult to identify whether the right things are being measured.

- In the same way, the ability of the industry to balance the needs of stakeholders and understand future needs and expectations is difficult to assess.

- Use of performance information such as the PPM indicates an understanding of current capabilities, though there is evidence of a perception that the full potential is not understood.

- There is evidence of tension driven from the subsidy between the private and public aspects of the rail industry.

- The lack of a clear strategy makes it difficult to consider whether the structure of the industry and the key processes established by its players are optimal.

- There is a lack of evidence of specific targets for partnership within the industry.

- There is a lack of evidence of specific targets for innovation within the industry.

5.3. People

"Excellent organisations value their people and create a culture that allows the mutually beneficial achievement of organisational and personal goals. They develop the capabilities of their people and promote fairness and equality. They care for, communicate, reward and recognise, in a way that motivates people, builds commitment and enables them to use their skills and knowledge for the benefit of the organisation."

- The industry's people are generally felt by those involved in the review to be capable of delivery at operational level but it is acknowledged that they could be more effective ambassadors for rail with a more aligned structure and a holistic, 'system' view of the industry.

- Pockets of good practice for people development were acknowledged, e.g. the graduate and apprentice schemes offered by Network Rail.

- There was a general consensus of opinion that people working within the industry are considered to be committed and passionate about service delivery.

- Where stakeholders involved in the review considered whether the 'right balance' of skills and capabilities is in place there was a perception that there is a lack of commercial skills at higher levels and a wealth of, or bias toward, engineering skills. Several participants involved in the review highlighted as a negative the number of consultants working within DfT and other industry areas.

- 'Churn' in the industry was perceived by interviewees as improving, bringing a beneficial blend of skills and outlooks.

- There is some evidence of difficulty in recruiting at Executive level within the industry. Whilst it is generally held that there is great demand for jobs further down the structure, there is a lack of evidence of attracting world-class talent to the industry. There is a lack of evidence of an approach to managing the 'image' of rail to facilitate this.

- The perceived lack of a clear long term strategy is felt to impact on skills and capabilities – for example the variation in demand for rolling stock and the 'on/off' progress with electrification leading to bouts of work without a continuous focus leading to a lack of a continuous skills base.

- Where there are examples of individuals within the industry working collaboratively and creatively to attain industry benefits and these are felt to be 'in spite of' rather than 'because of' key processes and structures, there is a concern that if these "champions" leave the industry its ability to succeed will diminish. This highlights a lack of a specific approach to ensuring sustainability through people.

- In workshops, the People Results criteria were rated positively by participants. Where it has been possible to review the EFQM assessment documents submitted by operating companies, the people results were presented in a high level of detail and were not segmented. Segmentation would allow a clearer understanding of the extent to which positive 'people' approaches are deployed to all employee groups.

- There is evidence of a perception that Trade Unions are a barrier to improvement.

- There is a feeling among workshop participants that the notion of a 'job for life' is dissipating. There is an allegiance to rail over and above the individual organisation, and this creates resistance to change.

5.4. Partnerships and Resources

"Excellent organisations plan and manage external partnerships, suppliers and internal resources in order to support strategy and policies and the effective operation of processes. They ensure that they effectively manage their environmental and societal impact."

- The level of collaborative or partnership working is perceived to be improving. The examples cited generally referred to 'local' collaborations, e.g. between Network Rail and operating companies. There were fewer examples at the top of the hierarchy. There appears to be consensus that it is the *people* that foster good relationships rather than the industry structures and processes. ("They can be less constrained by bureaucracy and more focussed on end user issues".)

- Lack of alignment of incentives is regarded as significantly inhibiting partnership working.

- Competition between the train and freight operating companies was referenced by a number of participants in the review. Whilst it is felt by some that relationships are competitive and tense, others have indicated that the level of collaboration is improving and maturing. This is largely attributed to 'individuals getting on with it' rather than the structure and overarching culture of the industry.

- The National Task Force is perceived to be an example of effective collaborative working.

- There is clear evidence of perceptions among the industry stakeholders involved in the review that current mechanisms and structures are hampering value for money. Examples cited include asset management, with a perceived lack of effective condition monitoring and targeted spend and the extensive consultation processes.

- There is a clear perception that the services provided by Network Rail is expensive. The failure to achieve economies of scale were highlighted, e.g. the separation of renewal and enhancement budgets was cited as a missed opportunity for the creation of synergies and cost savings.

- There is evidence of a lack of understanding of the industry's costs – whilst stakeholders involved in review stated "we understand what we pay", there is less clarity on where the money is being spent.

- The perceived lack of a clear long-term strategy was felt to have a significant impact on technology. There was a general consensus that technology could be used to reduce costs and improve the customer experience but that the problems to be solved with technology have not been clearly defined within a strategy.

- The lack of alignment of objectives was cited as a barrier to the effective use of technology. Ticketing and CCTV were highlighted as examples where efficiencies could be achieved through a standardised approach to procurement.

- Feedback from workshop participants indicates that approaches to asset management could be improved. Energy policies, use of a differentiated network with lighter build trains where appropriate, single-line working and planning permission for redundant assets were cited as examples.

- Standardised passenger information systems were highlighted as being able to deliver significant benefits to customer satisfaction though structure and incentives are seen to inhibit their inception.

- Data systems are felt to be poor and make it difficult to share information.

- There is little evidence of sharing of best practice information across the industry, though it was acknowledged by stakeholders involved in the review that they would benefit by knowing more about each other's organisations.

5.5. Processes, Products and Services

"Excellent organisations design, manage and improve processes, products and services to generate increasing value for, customers and other stakeholders."

- There is a perception that the empowerment of operating companies to deliver innovative solutions could result in better value for customers ("If we were in charge of our own destiny we'd do it differently"). The inclusion of very detailed requirements rather than outputs in franchises is perceived to be restrictive. For example, the requirement for manned ticket offices at stations is a specific requirement in a franchise – if the output was described as 'provision of information' a more innovative and efficient solution could be sought by the operator.

- Performance regimes and their application are perceived as driving 'anti customer' behaviour. The example cited is cancelling a train short of its destination in order to avoid a steeper penalty for being late. This doesn't consider that the customer is more inconvenienced by a cancellation than a delay. Several individuals involved in the review referred to "perverse behaviours" being driven by the performance framework.

- There is evidence that processes for project management at Network Rail level are perceived as slow and bureaucratic. The use of a standardised approach was felt to add unnecessary complexity to some smaller projects.

- "Being too bogged down in process" and "following the letter of the law rather than the spirit of the law" were felt to divert focus from the end result. An example of an operating company working with Network Rail to find a solution to the requirement for eight weekend possessions was cited. Though the parties established a solution that meant costs of over £3m could be avoided, the initiative was regarded as a failure because due process was not followed.

- Focus on compliance was also perceived as detrimental to the 'value for money' ethos by construction contractors. Where suggestions are made that could drive efficiency and innovation, they are deemed to be non compliant with the requirements and not considered. (Though contractors have the option of submitting a non compliant plan in their bid, it is not considered to be a realistic for a contractor to provide both).

- There appears to be lack of understanding as to whether the industry has clearly defined its value proposition. Some participants referring to the provision of a 'social' railway and its contribution to the carbon agenda. Others felt that a much stronger commercially focused proposition was required. It was felt that for Freight the case for rail over road is clearer.

- The fact that the rail network is carrying a higher volume of passenger and freight traffic than before privatisation, and the improving results from National Passenger Surveys are regarded as a positive indication of customer needs being met. Several participants in the review provided examples of feedback they have received from individuals (e.g. "Why can't my daughter use the train to get to her job at Tesco on a Sunday?") but felt that customers en-masse are served appropriately.

- The NPS is the principal mechanism for reviewing customer experiences and perceptions. There is evidence of a desire to understand customers experiences beyond the NPS performance information.

6. Assessment Outputs

6.1. EFQM Assessment of Network Rail

Network Rail is to be thanked for the resources it applied in presenting its evidence for consideration. From the content provided it was clear that Network Rail has made improvements in a range of key areas and the impact of these are seen in the improved PPM figures reported. Themes emerging from the Network Rail Assessment included as strengths:

- The role in industry leadership that Network Rail plays; this was seen in the development of safety, engineering and rail standards, timetabling, communications, training, asset management and maintenance and provided a clear linkage to the Network Rail Network of Aims.

- The alignment of Network Rail against its process model was observed to be fully integrated across the evidence base presented. The process model clearly captures both core and support activities for Network Rail.

- Continuous improvement of both support processes and the core rail processes is evident. Efficiencies were achieved through the centralisation of reporting, structures and procedures. .

- Network Rail can clearly see causal linkage between its improvement activities and the impact on performance. This was observed in the high levels of "on time performance" through real time measurement systems and the PPM results of the previous period.

- The use of balanced scorecard and measurement and objective cascade was observed across the evidence base. Measurement systems were robust and aligned to the corporate Network of Aims and requirements of CP4.

- Throughout the evidence assessment there was clear focus on people development activities at Network Rail. This includes the development of an innovative apprenticeship scheme, through to the systematic and structured approach to the development of the next generation of leaders, Network Rail is addressing the perceived previous under-investment in the people engaged in the organisation and rail industry.

- Network Rail has many excellent measurement systems. Customer and People perceptions are subject to and reliant on large annual surveys. There may be opportunity to investigate the value of smaller, local or event specific surveys as a more immediate means of capturing staff and customer perceptions. Predictive indicators are measured and tracked. However, it was not always clear how these measures were used to predict and pre-empt trends in the perception data.

The assessment also found that there remain many improvement opportunities for Network Rail:

- Communicating with stakeholder groups ensuring their understanding of the strategies being developed and their intent.

- Improving the perceptions of Network Rail's staff.

- Improving the perceptions of Network Rail's customers.

- Ensuring all staff are subject to an annual performance review.

- Enabling staff access to further means of contributing ideas and efficiency enhancements.

- Capturing lessons learnt from joint projects and workings with TOCs and other stakeholders and ensuring communication of resulting improvements to systems and processes.

- Capturing more immediate feedback from customers, during and at close of major projects.

Throughout the assessment it was clear that many of the improvements already implemented have yet to be recognised in the day-to-day experiences of Network Rail's customers, and therefore levels of customer satisfaction remain low.

A Transformation Programme is underway and time will be needed for the impact and cost-benefits of the improvements being considered and implemented to be realised.

Assessment and refinement were also common themes throughout the assessment. Review is systematically conducted both to assess performance and also to identify improvement opportunities and efficiencies in the approaches adopted.

6.2 Key themes from the existing Train Operating Company EFQM assessment

6.2.1 Accreditation Document review

The original intention had been to review feedback reports and develop an understanding of industry wide improvement opportunities. No feedback forms were released, however some organisations were willing to share their input documents. Consequently only a few themes were evident in a limited evidence base.

Section D of the accreditation questionnaire requires the prospective bidder to submit up to 50 pages of evidence, aligned to the DfT rail industry specific version of the EFQM Excellence Model.

Four section D responses were reviewed and key themes identified.

Focus on understanding the customer
There is a clear focus on understanding the drivers of customer satisfaction, the levels of customer satisfaction and performance against the identified drivers.

It was also clear from the results sections that there were improvements in the drivers of customer satisfaction and in the perceptions of customers.

Development of staff
Investment in the both the regular performance appraisal and the competence development of people was common across the accreditation questionnaire responses.

Lack of Society measurement
There was little measurement to understand wider society's perception of the operating companies. There was measurement of recycling and carbon reduction activities but little that would reflect the wider impression of the organisation, and especially amongst people who do not use the railway.

Investment in assets
Many examples were provided throughout the documentation of investment in stations and facilities and in the rolling stock.

Lack of systematic process improvement
The operating companies have established their own particular process frameworks and models, and examples of improvements to processes were cited. However, there appeared little adoption of any structured and systematic approaches to process improvement and waste elimination. If process were reviewed it was often through regulatory audit.
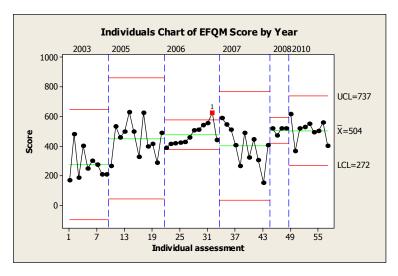
6.2.2 Review of scores data

The data set contains 57 individual records of the scores from the franchise assessments. A score is given for each of the nine criterion parts of the EFQM Excellence Model along with a total score.

The assessments within the dataset cover the years 2003 through to 2010, but with no assessment scores for years 2004 or 2009 due to no franchise activity.
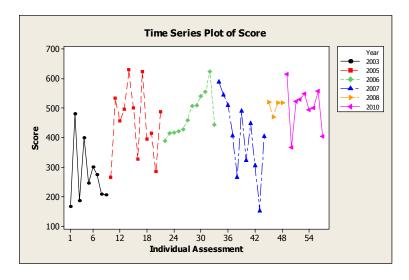
Across the whole dataset the highest ever recorded score was 630 points in 2005 and the lowest of 152 points in 2007.

Year	Mean Average Score	Minimum Score	Maximum Score
2003	275	168	481
2005	451	267	**630**
2006	476	389	624
2007	403	**152**	588
2008	506	470	520
2010	504	368	614

Control chart analysis of the data shows the gradual increase in average scores over the period, with most of this gain being achieved between the assessments submitted in 2003 and 2005.
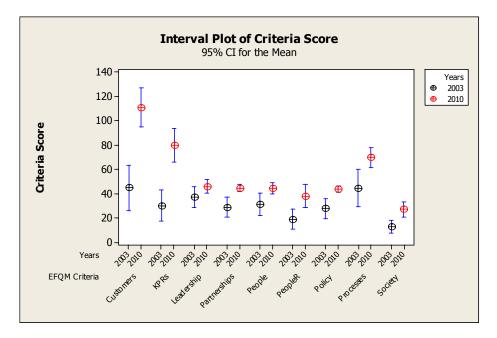

And this is further supported by a times series analysis plot of the dataset.

Following through the improvement theme and to identify if any particular areas are driving the EFQM score improvement gains a comparison of the data set start and end years, scores recorded in 2003 with the scores in 2010, was made.

The interval plot shows that greatest improvements in score performance between years 2003 and 2010 has been achieved in the areas of:

- Customers
- Key Performance Results
- Processes

The areas showing least improvement are:

- Leadership
- Partnerships
- People

It is not possible to identify from within this dataset the causal factors that may have contributed to the improvements in scores. However this pattern of improving Customer Results and Key Performance Indicators, despite an apparent stagnant performance in Leadership and Partnership supports perceptions and opinions voiced in the other evidence sources.

6.3 Key themes from workshop and interviews

It is clear from the workshop and interview records that there is significant commonality in the perceptions and issues identified by the contributors.

6.3.1 Key themes workshops

Lack of a clear strategy and leadership
There is clear evidence of a perception that different parts of the industry are pulling in different directions, without a clearly-defined overall direction and strategic focus. This results in a lack of effective decision-making, lack of a common purpose among the players within the industry and lack of long-term investment.

A causal factor often attributed for the lack of strategy is the lack of unifying industry leadership.

Desire for improved decision making
There is evidence of a perceived lack of decision making. Examples of the impact this has on industry players include a lack of clarity on whether to produce diesel trains, how much to invest in a station upgrade and the costs associated with abortive bids. Where decisions are made, the decision making process is perceived as far too slow.

The need for stability
The cost and impact of change was a key theme in discussions. Whilst recognising the need to change to improve value for money, there was a consensus of opinion that reorganisation at this time would be detrimental to the rail industry and that a period of stability and certainty is required.

What *is* Value for Money?
There appears to be a lack of a clear definition of 'Value for Money' within the industry. "Same service for less money" was felt to be the industry definition, though the scope for change remained unclear in terms of the scale of the changes necessary to deliver value. Whose money does the definition apply to - the taxpayer, the passenger, the freight operating company, train operating company, a mixture?

Desire to work collaboratively
There was acknowledgement of a movement of behaviours from an adversarial, contractual stance to a more collaborative style. However the barriers to collaborative working were identified as lack of a clear strategy resulting in conflicting priorities, rigid contractual agreements and general lack of trust.

"Performing in spite of, not because of"
The examples of collaborative working and of innovation being applied were attributed to individuals attempting to work together to attain mutual and industry benefit, rather than the structures and processes that have been established. It was felt that efficiencies were often achieved by working around the processes and structures.

6.3.2 EFQM Lite

Analysis of the EFQM Lite assessments from the two workshops shows similar perceptions and agreement between the two groups.

None of the EFQM criteria were recognised as being at the highest category "*we are a recognized role model for a culture of excellence*". None were perceived as getting any worse.

Best-performing areas were thought to be Customer Results, People & People Results and Society Results which were perceived as being at, or moving towards, "*We do and our stakeholders recognise us as improving*".

The poorest-performing criteria were Leadership and Policy and Strategy. Leadership ranked at "*Yes, but…*" by both workshops, Policy and Strategy was considered "*No, not yet*" and a "*Yes, but…*", making it the lowest-ranked criteria overall.

Key Results and Partnerships and Resources were both perceived as being mid scale, each getting a "*Yes, but…*" and a "*Yes, and…*".

The greatest difference of opinion between the two workshops was in the Processes criteria. One workshop ranked at the lower, "*Yes, but...*" level. The other workshop perceived their own process performance to be at the "*We do and our stakeholders recognise us as improving*", but gave a "*Yes, but....*" to their contractors' process performance.

Although it is not a detailed measurement tool the EFQM Lite has captured themes that can be seen elsewhere in the evidence base:

- Lack of industry leadership
- Lack of strategy for the industry
- Improving railway performance leading to improving perceptions of passengers

6.3.3 Key themes interviews

Desire for empowerment
The leadership demonstrated by DfT is perceived to be more 'tactical' than strategic in its focus. The industry stakeholders involved in the review expressed a desire for the establishment of a long term vision which they could be entrusted to deliver, with outputs being specified rather than being subject to detailed and specific requirements.

The need for long-term thinking
There is evidence that the lack of a long term vision for the industry impacts on the ability of players within the industry to make effective and efficient decisions. The short term franchises were cited as one of the key drivers of short term focus – inhibiting investment and innovation because the return on investment would take longer to achieve than the life of the franchise.

Trust and openness
Though some perceive that trust is improving, there is evidence of a lack of trust and openness driven by the structure and the perception that franchises are won because of price over any other factor.

There appears to be a lack of willingness to talk openly about areas for improvement for fear that other parties will turn them into a commercial advantage.

Evidence of this lack of trust and collaboration was seen with the reluctance to share assessment feedback data as part of this review.

Creativity and innovation
Though some examples of creativity and innovation were provided, they were more evident at 'local' level than at the top of the hierarchy – e.g. finding ways to deliver better service at operator level.

Short-term focus, focus on delivering for lowest price and focus on "following the letter of the law rather than the spirit of the law" are felt to inhibit creativity and innovation. Chiltern was highlighted as the rail

operating company which has had the greatest scope to be innovative and make improvements; possibly a function of its lengthier franchise period.

Length of Franchises

The shorter term franchises were highlighted as being expensive for the industry and ultimately the tax payer. From the cost of bidding, to the cost of replacing the signage at stations, there is a perception that the expense could be avoided by longer term franchises which could include reviews and re-sets.

7. Recommendations

The purpose of this review was to:

- Identify gaps in organisational and industry processes, particularly around industry leadership and planning and decision making.
- Identify the key reasons for any gaps.
- Identify of potential solutions to any gaps.

With the potential to answer the questions:

- Are the right organisations leading or involved in decisions?
- Are the roles and responsibilities of organisations correctly defined? Do individual organisations have the correct governance arrangements?
- Who drives and can make changes to the current regime?
- What is the level of collaborative or partnership working?
- How do current mechanisms impact on value for money e.g. in procurement, continuity of demand, specification?
- Is there adequate focus on the short and long term?

At the heart of the review there is a focus on value for money and the following recommendations support this challenge.

Establish a clear leadership entity with a mandate to lead

The lack of a clear single leader or leading body was highlighted throughout the assessment evidence base as a significant causal factor in the perceived lack of industry:

- Vision
- Strategy
- Partnership working
- Goal alignment
- Rapid decision making

Candidates for the industry leadership role could include:

- ORR - expanding the mandate and role of the ORR to one of directions setting and decision making
- Network Rail – already adopts a leadership role in a technical, engineering, safety and timetabling role
- DfT – existing relationships with all industry bodies.

It is more likely however that a leadership entity, potentially a forum or committee (or other appropriate structure) will have to be established with strong industry participation. This would have to include ORR and Network Rail representation and some, but not all, Operating Company representatives.

Any entity would have to be connected enough to understand all the industry issues, but small enough to get the right decision outcomes, in a timely manner.

A clear leadership entity would also become the leading advocate for rail as a national asset.

As a benchmark review the industry organisation ADS (AeroSpace, Defence, Security) and particularly its forerunner SBAC (Society of British AeroSpace Companies) which manages to balance the need for competition with the need for a globally competitive base.

Create a long-term vision and subsequent strategy for rail
The gap most frequently identified in the assessment evidence base is that of a clear vision for the industry. Without a clear and engaging vision how can a strategy be developed?

There is a significant dependence on the establishment of credible industry leadership, one of whose more immediate challenges should be to develop the long-term national rail vision and strategy.

There was a call for the strategy to be sustained for 30-40 years in line with asset value, without political interference.

Put the customers at the heart of everything

Passengers will soon accept high levels of on time performance as standard. Future passenger satisfaction levels are going to be driven by reduction in overcrowding, expansion of the timetable, especially on Sundays and a better value for money case when compared to other transport options.

Good operating companies will know the requirements of their customers and should have the flexibility to respond.

The tax payer should be increasingly seen as a customer of the rail industry. For their investment the tax payer must be assured value for money and a significant return.

Clearly define Value for Money in the context of a national rail system

There is a need for a common definition of "value for money", and this definition should relate to whole life cost, rather than focus on price as now. Clarity is also needed about the scale of the 'social railway'.

Developing longer-term franchises has a key role to play in easing the tension between the immediate profit requirement and a long term value approach.

There is a need to drive down operating costs, and technology investments have a role to play in this. There must still be the investment in assets of sufficient quality to at least hold the PPM levels that are currently being achieved.

Network Rail's scale provides a clear opportunity for it to drive down input costs to the rail industry and to pass on improvement gains to its stakeholders.

Establish a period of planned change leading to industry stability

Change is a constant, as is the need to continuously improve, remove waste and drive value for money. This is understood across the rail industry.

There is a need for industry changes to deliver value for money. Delivering planned change with a clear direction, leading to a period of industry stability will enable trust and partnerships to develop. A period of rail industry stability will remove any opportunity for "wait until they are gone" thinking amongst organisations and their staff alike.

There are expressions of dissatisfaction with Network Rail from its customers in the workshop and interview evidence base, but there appears to be no appetite amongst the contributing organisations for the disruption that macro changes would inevitably bring.

Align industry time perspectives

Investment decision for rail infrastructure and assets are long term decisions. Short term, narrow opportunity franchise windows are anomalous within an industry requiring a long term perspective.

As franchises approach renewal there is the opportunity to extend the timeframe over which the franchise is offered. The risk that longer franchise periods pose should be offset by the development of appropriate review and re-set points.

Regulate the Partnership Requirement

The desire for, and willingness to contribute to partnership working was expressed by all the organisations contributing to the evidence base. In practice, this desire is hampered by the levels of distrust, suspicion and antipathy towards each other.

In the long term, again, a strong industry leader would overcome this lack of trust. In the shorter term, partnership can be stimulated by regulatory requirements.

The ORR could be asked to review partnership relationships, and the results they achieve, particularly between Network Rail and the Operating Companies.

We would recommend that a review of good practice in other industries where collaboration is key to success such as automotive.

Maintain and Extend the Excellence agenda, industry wide.
Mandating the use of Excellence Model style assessments as part of the franchise process has made
Operating Companies think about their organisations and their achievements in new ways and provides
a different source of improvement opportunity.

All organisations in the industry should be engaged to regularly assess themselves, and track their
improvement progress against a model or standard of organisational excellence.

Some organisations within the rail industry have an EFQM performance at a level where they are viable
contenders for Quality Awards. External recognition, achieved in competition with the very best
organisations in Europe, would bring public attention not only to the excellence of that organisation, but
recognition of the growing excellence of the UK rail industry.

8. Conclusion

The EFQM Fundamental Concepts of Excellence capture the core philosophy of EFQM Excellence. They represent a set of underlying principles which are the essential foundation for achieving sustainable excellence for any organisation, or industry.

Distilling all the evidence presented in this review against the Fundamental Concepts is a fitting way to conclude.

Achieving Balanced Results
Results are seen to be improving across the rail industry. PPM stands out as a measure with significant improvement that has also benefited the performance of other metrics.

However results are sub-optimised by the competing needs of the various parties and the tension between the need for long-term investment in the infrastructure and the requirement to generate short-term shareholder value.

Adding Value for Customers
Passengers and freight users as customers, have a better railway now than perhaps ever before. Much effort has gone into understanding the drivers and levels of perception passenger satisfaction.

As passengers become accustomed to the fact that the railway runs on time, they will start to have higher expectations of their whole journey experience. There is still a need to increase capacity and deliver value for money.

There is a need for the tax payer as a customer of the rail industry to better understand the value that is being delivered to the nation for the investments made.

Leading with Vision, Inspiration and Integrity
There is no recognisable industry leadership and consequently there is no cohesive vision and industry strategy for the future. This is the most significant improvement opportunity for the GB rail industry.

Other industries have managed to balance the need for healthy competition, with the advantages of a unifying industry leadership, rail must do the same.

Managing by Processes
Significant opportunity exists for the removal of waste and duplication from rail processes. Accessing these improvements will require far greater levels of trust, openness and partnership between industry organisations than they display at present.

The advantages of developing a rail industry approach to the continuous improvement of processes are significant.

Succeeding through People
The investments made in developing the industry's people and the attraction of excellent new talent into rail must continue.

People's allegiance to their organisations, not just to the rail industry, has to be strengthened. Critical to this will be organisations ability to communicate their role and contribution to delivering the long term vision for rail.

Nurturing Creativity and Innovation
The evidence base contains examples of innovations and improvements. There is scope for many more, particularly innovations which cross organisational boundaries.

Building Partnerships
There is a need to build a true spirit of partnership within the rail industry, especially between Network Rail and the Operating Companies. Only through deeper and more significant partnership working can process improvement opportunities be significantly leveraged.

Taking Responsibility for a Sustainable Future
Sustainability requires efficiency, and efficiency will be achieved through closer collaboration and shared success against the clear vision required for the industry to truly deliver sustained value for money.

The establishment of a clearly mandated leadership entity, which can foster far greater collaboration, respect and trust, remaining constant towards a clear vision of UK rail excellence, is urgently required.

Investors in Excellence would like to again thank the individuals and organisations who supported this review with their time and knowledge.

Although this report was commissioned jointly by the Department for Transport (DfT) and the Office of Rail Regulation (ORR), the findings and recommendations are those of the authors and do not necessarily represent the views of the DfT and the ORR. While the DfT and the ORR have made all reasonable efforts to ensure the information in this document is accurate, the DfT and the ORR do not guarantee the accuracy, completeness or usefulness of that information; and cannot accept liability for any loss or damages of any kind resulting from reliance on the information or guidance this document contains.

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