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Case Report Buurtzorg: Humanity Above Bureaucracy Beyond Budgeting

Beyond Budgeting Institute
Case Report Buurtzorg: Humanity Above Bureaucracy
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By putting humanity above bureaucracy, Buurtzorg has achieved truly remarkable results. Buurtzorg is a wonderful example of the Beyond Budgeting principles in action.

About Beyond Budgeting Institute and BBRT

The Beyond Budgeting Institute is at the heart of a movement that is searching for ways to build lean, adaptive and ethical enterprises that can sustain superior competitive performance. We promote a set of principles that lead to more dynamic processes and front-line accountability. Organizations that follow this approach transform their management model in line with these principles.

Our ideas are spread through the Beyond Budgeting Round Table (BBRT); a shared learning network of member organizations with a common interest in transforming their performance management models to enable sustained, superior performance. We help organizations learn from worldwide best practice studies and encourage them to share information and experiences to move beyond command and control.

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Buurtzorg: Humanity Above Bureaucracy

In only nine years, Buurtzorg has grown from a great idea to a very successful neighbourhood nursing organisation with almost 10,000 employees in the Netherlands. At the core of this remarkable success is a unique leadership philosophy. Buurtzorg ('neighbourhood care' in Dutch) is a wonderful example of the Beyond Budgeting principles in action.

With this case report, the Beyond Budgeting Round Table (BBRT) would like to share with its members a great example of the extraordinary levels of competitive advantage and performance an organisation can achieve, solely due to its innovative management model.

Background and the case for change

To describe Buurtzorg, we have to start with its founder Jos de Blok. Originally, Jos studied economics but shortly after, he decided to follow his vocation and educate himself to become a nurse. For 15 years, he worked as a nurse; first at a hospital and later as a district nurse in the community. For reasons that I come back to shortly, he quit this job and went on to work in the health administration in various leadership roles. This lasted for about 10 years, when in 2006 he decided to establish Buurtzorg.

To start with, Jos found his work as a district nurse in a local community to be very inspiring. The job obviously involved a lot of contact and interaction with patients, it included a large variety of activities, and work was coordinated in a team of local nurses.

This, however, ended in 1993 when Dutch politicians decided to 'professionalise' community care. Jos refers to this as a disaster. The local teams became integrated parts of much larger organisations, managed by managers. Instead of focusing on delivering solutions for people, nurses were now delivering products. In order to become more efficient, the many different activities were detailed, coded and time measured. Nurses had to specify their time spent with patients in a wide range of product categories; this created confusion and took away time and focus from patients. Many nurses found these new working conditions degrading.

With the specification also came specialisation, which was an even bigger disaster for patients than it was for nurses. Some patients experienced having up to 40 different health care workers in their house every month; all of whom asked the patients the same questions about their situation... i.e. not a very human way to treat people who are already weak and insecure. This also meant that the personal relationships between patients and nurses were lost, to the extent that nobody felt responsibility for the care of the individual patients.

Buurtzorg at a glance

Nine years after its foundation, this is Buurtzorg:

- Highest client (patient) satisfaction
- 40% lower costs than peers
- 'Best employer' prize 5 years in a row
- 9,700 nurses taking care of 75,000 patients in Holland
- 850 self-managed teams, freed from admin and intervention
- Minimal bureaucracy

Like in many other countries, the Dutch system was inspired by the apparent efficiency gains in companies and industries of mass production. This is sometimes referred to as 'new public management'. More and more managers took over the profession, and consequently (albeit with the best of intentions), hierarchy and bureaucracy increased significantly. Focus decreased on the employees who actually did the work, not to mention the patients. This is a classic example of the separation of decision making from work, which leads to poorer performance.¹

Much to the surprise of legislators, the 'new public management' had exactly the opposite effect of what they expected: In 10 years, costs doubled and quality decreased dramatically. However, instead of challenging the obviously flawed assumptions about the new way of managing, more of the same was practiced: Nurses were, for example, provided with even more specific plans that had to be adhered to, and deviations had to be explained to managers.

Consequently, this created even more dissatisfaction with the system and further reduced the time available to patient care. Not surprisingly, costs continued to rise and quality to go down.

Buurtzorg: the foundation and rapid expansion

In 2006, Jos and a few friends decided to do something about the deteriorating situation. Based on their experience from the 1980's, they knew that this could be done in a much better way. Therefore, they established a not-for-profit nursing organisation based on principles of trust and self-organisation.

In early 2007, it started as a bit of an experiment with only four nurses, but it soon picked up and more teams were established. After a few months of operation, the same thing happened again and again: Small teams of nurses developed networks with hospitals, doctors and pharmacies etc. in the local community. They worked and organised themselves according to the new principles and within months they had so many patients, that they had covered their initial costs and were profitable. Many nurses wanted to work for Buurtzorg, and by the end of the first year, they had nurses working in 10 different locations.

The teams were more profitable than intended and this provided a sound basis for the expansion, which went very fast. From 2008, they established 10-20 new teams of nurses every month. And by November 2015, when we conducted our interviews at Buurtzorg, the number of nurses working for them in the Netherlands stood at a staggering 9,700.

Jos explains: “We didn’t have problems to manage the growth since the teams were managing themselves. Another contributing factor was that we have always avoided any kind of bureaucracy.”

Patient focus – avoid bureaucracy

The focus is on the patient – and to take the best possible care of the patient. Everything that does not help the patient (i.e. waste) is avoided.

Stichting Buurtzorg

Buurtzorg is legally organised as a not-for-profit foundation with the formal name of: Stichting Buurtzorg

1. Ref, W.E. Deming: Out of the crisis, 1982 and John Seddon: Freedom from command & control, 2003

Results

Buurtzorg is a remarkable success story that has gathered a lot of attention from also outside the Netherlands. Below are highlights of their achievements:

- Buurtzorg has highest client (or rather: patient) satisfaction in the country.
- Despite the fact that Buurtzorg has higher educated nurses than peers, their costs are far lower: Compared with peer organisations, they spend some 40% fewer hours of care per patient because their patients need care only about half as long; they heal faster and become more autonomous.
- Buurtzorg patients use far less medicine, which is a great benefit to both patients and the Dutch government.
- Buurtzorg has ranked at the very top of the ‘Best Employer’ list for the last 5 years in a row.
- Buurtzorg has also shown to be very profitable. This was not the intention, but it has made it easier to fund growth, experiment and develop the organisation.

Buurtzorg’s management model

In the following, we review some of the key elements that make up Buurtzorg’s unique management model. Readers familiar with the Beyond Budgeting principles will find a great resemblance between these and the elements below. As you will see: Buurtzorg is a great example of the Beyond Budgeting principles in action.

Purpose

A key element of their successful model is a clear purpose that ties the whole organization together. In this case, the purpose is in line with nurses’ natural vocation: Helping patients lead better lives. The task of the teams of nurses is thus to take the best possible care of their patients, which translates into helping them recover their ability to take care of themselves as much as possible. It is up to each team to figure out how this is best done for each individual patient. Every Buurtzorg employee knows what good performance looks like and what is expected of him/her.

Experience shows that clear and noble purposes are far more powerful than strategy plans and financial targets to inspire people and drive performance. One of the reasons is that purpose comes without the negative side effects of plans and targets.

Transparency

Buurtzorg believes in the power of sharing information; also because this makes it a learning organisation. For this purpose, and to support the local teams of nurses in their daily job of taking care of patients, they have developed their own unique IT-system. This has many purposes and features:

It provides teams with confidential patient information, and nurses are responsible for continuously updating this.

It is a platform for sharing ideas, news and other information; as well as for seeking advice. Planning and scheduling work. This also provides a basis for statistics about capacity utilisation etc.

The system provides teams with their actual performance metrics. Performance data are shared for the purpose of self-regulation and learning.

In building the system, Buurtzorg deliberately split the administrative process from the professional processes, so that all the administrative and bureaucratic work is done without interfering with the day-to-day job of the nurses.

No bureaucracy

In order to give maximum attention to their patients, Buurtzorg avoids activities that do not support the purpose of taking care of patients. This means deliberately avoiding the introduction of a lot of the elements associated with traditional management: strategy, budgeting, targets, forecasting, business reviews, management meetings, variation analysis, rules and regulations, etc.

Small organisations that want to grow usually copy such management tools from the more established ones. Sometimes such tools are introduced with the help of consulting companies and / or inspired by business schools. The result is usually the same: as the small company grows, it loses the agility, spirit and benefits of being small – and very often it becomes rigid, bureaucratic and in some cases even a sad place to work.

Not least due to the founder's own experience from before the government introduced its disastrous way of working, Buurtzorg has resisted all attempts and pressures to go in this direction.

Trust and autonomy

These are also central elements in Buurtzorg. The teams of nurses are completely self-managed. They are not just empowered by Jos or the hierarchy; they have power because there is no hierarchy with any decision-making power over them. When shown such trust, nurses take on the responsibility of taking the best possible care of their patients. The concept of self-management is a great way to avoid one of the main problems of traditional management; namely the separation of decision making and work.

This also contributes to making it a very attractive work place: Five years in a row, Buurtzorg has been at the top of the 'Best Employer' list in the Netherlands.²

Customer / patient focus

The above-mentioned purpose has naturally created a very strong customer / patient focus. At Buurtzorg, nurses generally spend a lot of time together with new patients to get to know their situation, needs, background, etc. Based on this, the nurses have complete freedom to come up with individual solutions for patients.

A very interesting (but also obvious) finding is that this way of working leads to far less hours needed in patient care. Why? Because patients become better much faster. Over time, Buurtzorg spends approx. 40% less time together with patients than their peers; this is a massive efficiency increase and it even comes with much happier patients!

With small and dedicated teams of nurses working with and around a clearly defined group of patients, it is no wonder their patient satisfaction is very high; it is by far the highest in the country.

2. Beste Werkgevers Lijst, organised and performed by Effactory and Intermediair in the Netherlands

Organisation

“In Buurtzorg, we don’t use organisational charts,” says Jos de Blok. They have a simple structure that makes such charts redundant. The organisation has three parts: Teams of nurses, coaches and the head office.

The core consists of self-managed teams of educated nurses that work out of a small office in their local community. Each team has some 10-12 nurses, which means that there are now a little more than 850 teams across the country.

Even though the teams are self-managed, there are times when they need support, so they have some 20 coaches (approx. 45 teams per coach) that help teams in several ways; primarily coaching about how to make teamwork work. The coaches are not managers; they have no say on the actual work of the teams and are not responsible for the teams’ results.

The modest head office with 40 people is located at the outskirts of Almelo, a small town in the eastern part of the Netherlands. The role of the head office is to act as a service centre for the teams and the coaches; i.e. help them do their work better.

In addition, the head office takes care of those activities that they have found made sense to centralise and standardise. The latter includes support and admin within accounting, IT, sales contracting (customers are insurance companies and municipalities), salary administration and housing (agreements re. each team’s local office). These limited staff functions are also organised in teams with a minimal level of managerial hierarchy.

The head office can provide guidelines but they have no decision-making power; they are truly a service centre.

As mentioned above, there is a small team that takes care of salary administration (contracts and salary payments); but there is no HR department. Those other tasks that usually belong in a HR function (like recruitment, training, development, feedback and communication) are either performed by teams locally, by Jos or not at all. Except for Jos de Blok (founder and CEO), no one in the organisation has a management title.

Further, there is no management team, and there are no fixed meetings. This frees up time to focus on how to become even better at helping patients and solving problems. Meetings are only held when there is a specific need; not because they have been scheduled.

Buurtzorg and the Beyond Budgeting principles

If you compare Buurtzorg’s management model with our 12 you will find a striking resemblance. We cannot claim that Buurtzorg was inspired by us. But what is very and much more important, is that an increase- organisations, independently of each other, and better ways of managing their businesses; ref. also Frederic Laloux’s great book: Reinventing principles, Organizations, 2014.

Why is this? Because command & control is failing; and be- encouraging cause there are better ways to design and manage work.³ ing number of Buurtzorg is a great example of a company that has man- are finding new, aged to find such a way.

3. John Seddon, Freedom from Command & Control, 2003

This organisational model ensures optimal coordination, and with no bureaucracy on top of it, it becomes both very effective and efficient.

Management processes

In general, management processes are kept to a bare minimum. Only the ones that support the core decentralised service delivery and those required by law (compliance) are done. Everything else is regarded as potential waste that should be avoided.

This means that Buurtzorg's process are carried out dynamically based on the underlying (continuous) rhythm of patient activities; adjusted for events as they happen. Buurtzorg does not have the calendar year as the default basis for its management processes, as is found in most organisations.

Guidelines instead of targets

At Buurtzorg, they know that short-term financial targets come with significant negative side effects. Accordingly, they do not use such measures.

In order to assist teams when making certain decisions and when assessing their performance (which is what targets are often used for), they have developed a number of guidelines.

One such measure is the percent of nurses' available time that is spent with patients. Based on analysis, they know that good financial performance is achieved when this figure is at a level of 60%.

Accordingly, teams are measured on this parameter and their performance is visible to all. When a team is significantly above or below this level, such information is addressed by the local teams of nurses and is part of their ongoing (self-regulating) considerations and prioritisations.

Another example of a financial guideline is the amount available for new teams to establish their offices, for training, etc. Teams can deviate from the guidelines; these are only there to help not to be followed rigorously.

By treating teams with such trust, teams respond by acting responsibly... so what we find is improved performance because of trust and the absence of detailed targets and management intervention. Achieving more with less... brilliant!

Financial management

A team of eight people at the head office handles all financial administration for Buurtzorg. Two of these employees are responsible for preparing sales invoices and two others are responsible for checking purchase invoices. The rest of the team (four persons) handles bookkeeping, accounting, controlling and reporting.

On a monthly basis, the team prepares a simple set of financial statements including profit & loss and a balance sheet. The P&L is broken down per team of nurses and they receive their results in the beforementioned common it-system.

Teams are measured on what they can influence. For example: As the teams are not responsible for sales or negotiating terms with customers (the commercial agreements are handled by a small team at the head office), Buurtzorg's total income is averaged out and divided between the teams based on number of hours together with patients. This way, the teams' focus remains on patient care and efficiency, which they can influence locally.

To nurture teamwork and the sense of belonging, everything is done to help teams perform better as teams. So, even though data is available about the efficiency of individuals, this information is not used.

The purpose of the internal financial reporting is learning for continuous improvement. Therefore, the information is provided and transparent to ensure teams know how they are doing; also compared with others. Deviations are regarded as learning points, and are not subject to (traditional) managerial scrutiny, control or variation analysis.

Buurtzorg does not ask its teams of nurses and coaches to spend any time preparing financial forecasts, budgets or the like. They simply do not see the need. At head office level, they now and again make limited high-level financial forecasts in order to balance cash flows, which during the rapid expansion has sometimes been under pressure.

This view on financial management is sometimes referred to as “sense and respond” as opposed to (traditional) “predict and control”.⁴

It will probably not come as a surprise, that Buurtzorg does not make use of any incentives in the form of bonuses or the like. Every employee has a fixed monthly salary. For the nurses, the salary level is slightly above that of nurses employed in the public sector.

Humanity above bureaucracy

Buurtzorg’s management model has been very successful on all of the abovementioned parameters. In addition, it is also extremely beneficial for society, which is why the Dutch political parties now support the spread of this way of working throughout the country. Ernst & Young has estimated that the Netherlands could save € 2 billion annually if all care organisations were as effective as Buurtzorg... not to mention the benefits in terms of increased quality of life for both patients and nurses.

Talking about the achievements Jos de Blok says: “Just by doing nothing, we achieved all of the above. We don’t have an HR department, and we do far less of the traditional management stuff like controlling and commanding people what to do, and this is how we get far better results.”

We find that Buurtzorg is a fantastic story about how a simple coherent management model that serves a very noble cause can also be extremely effective.

4. The Leader’s Dilemma: J. Hope, P. Bunce and F. Rössli, 2013