

A lean approach to the public sector

The impact of the Comprehensive Spending Review on the public sector is now being played out across the UK. Government programmes, services and entire levels of infrastructure are in danger of fast disappearing as local authorities and public sector organisations search for ways to reduce public expenditure.



Many will slice and dice ruthlessly for short term goals or quick returns. Others, who might try to 'wait out the storm' will be seen as complacent and unresponsive. In either case, it is most likely that their 'customers' ultimately will lose out.

A number of UK private sector organisations have found a solution to addressing cost pressures and deliver more and better for less for their customers.

'Lean thinking' was, until recently, seen as the province of manufacturing companies that were able to reduce costs and increase value by improving the quality of their products and the efficiencies of their processes. But a few companies have taken the lessons from the factory floor and applied them in sales, marketing, finance and other parts of the business.

The Lean process involves educating employees about how to implement improvements. It means retraining employees in structured problem solving to reduce waste. It means changing the style of management to give employees greater independence to make decisions. And it means working on small scale improvements that gradually build confidence to really embed change.

Some people suggest that a malaise exists in public service delivery; an accepted mind set that Britain must pay more for public services as costs escalate.

An alternative view - often found at the operational level - is that many people are aware of barriers that inhibit their performance, but are still unable to address them.

Our work with central government, health trusts and local authorities has confirmed to us that there is a commitment to delivering the most efficient service at the lowest possible cost. However, that commitment is stifled by a lack of understanding of improvement tools and confidence in using them. Civil servants recognise the need to provide better value for taxpayers, but they don't always have the knowledge and operational framework to achieve this.

Talking to public sector workers it is clear that engagement has been poor, some are disillusioned and previous programmes have often been unsustainable. But it is easy to teach those working in the public services how to create their own models of operational excellence including how to adopt a systematic process for solving problems,

how to implement a method for determining and delivering precisely what the 'customer' requires and how to eliminate activity that does not add value.

Parts of the Public Sector have already borrowed these ideas from industry. HMRC's PaceSetter programme, which sought to transform the efficiency of the department and bed down the merger between the Inland Revenue and Customs and Excise, used Lean techniques and practices that were based on our own architecture, The Unipart Way.

With our support in building the architecture for change and the capability of the PaceSetter practitioners, PaceSetter has generated a return of over £900m savings for the department. On average, productivity has increased by at least 30%, lead times for customers have reduced and the quality of work through reduced errors has vastly improved (from 49 to 99% in some cases).

This has led to increased debt recovery in mainstream taxes and work and error and fraud returns in HMRC's Benefits and Credits business. Productivity improvements have allowed for more headroom to be created to take in new work.



We also worked with the Department of Communities and Local Government to implement Lean. It was falling short of its Public Service agreement targets, but by working closely with civil servants over a 12 week period, Lean techniques were used to both meet the PSA targets and to save £146,000 per annum as well.

There have been similar experiences in the NHS. South Central Strategic Health Authority used Lean methods to meet the Government's target that no patient would wait longer than 18 weeks from GP referral to hospital treatment. We helped the Health Authority engage clinical staff, build capacity in new ways of working, standardise practices and ensure cost reduction. As a result, waiting times were reduced from 8 to 2 weeks and there was a 20% reduction in inappropriate referrals – saving time and money.

In addition, our work with the high performing Countess of Chester NHS Foundation Trust, is enabling the Trust to transform its culture. Organisational restructuring, reductions in absence, improved materials management and workforce redesign have resulted in cost savings of £2.5m. By engaging employees, the Trust now has the highest

staff attendance rates in the North West and one of the best for an acute hospital in the country. In November, the Trust won the Lean Healthcare Academy Project of the Year award 2010 for the *Countess Way* transformation programme, supported by Unipart.

But the best way of implementing Lean in the public sector can be through an industrial partnership. In practice, this means a commercial organisation co-operating, co-ordinating and collaborating with the public sector as Unipart is doing with a partnership of government departments, NHS organisations, universities, local authorities and not for profit organisations in Thames Valley.

Together, the public and private sectors can work together and learn from one another. Adopting Lean methods might just give government the chance to reform without the need for excessive cuts. And it could just help the public sector make efficiencies without services being harmed.

A lean approach can help deliver public services that Britain can sustain financially. And of which we can all be proud.



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